Public Post-Secondary Institutions
Audited Financial Statements

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103-04272/

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Interim Governing Authority of Alberta College - Edmonton

I have audited the statement of financial position of Alberta College - Edmonton (the "College") as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the ten month period then ended, being the initial period of operations. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
James Hug CA
Acting Auditor General

Edmonton, Alberta
August 16, 2001 except as to Note 14 which is as of January 29, 2002

ALBERTA COLLEGE - EDMONTON

Statement of Financial Position

June 30, 2001

Assets

Current assets:	
Cash - unrestricted	$ 927,426
Accounts receivable	151,163
Inventories	77,218
Prepaid expenses	88,955
	1,244,762
Cash – restricted	486,652
Capital assets (note 4)	4,960,670
	$ 6,692,084

Liabilities and Net assets

Current liabilities:	
Accounts payable and accrued liabilities	$ 423,868
Unearned revenue	1,205,536
Deferred contributions (note 6)	17,433
Current portion of obligations under capital leases	310,441
	1,957,278
Obligations under capital leases (note 5)	152,410
Deferred capital contributions (note 7)	299,102
Unamortized deferred capital contributions (note 8)	839,476
	3,248,266
Net assets:	
Endowments	187,550
Unrestricted	(402,075)
Invested in capital assets (note 4)	3,658,343
	3,443,818
Commitments (note 9)	
	$ 6,692,084

The accompanying notes are part of these financial statements.

Approved by the Board:

Interim Governing Authority

ALBERTA COLLEGE - EDMONTON

Statement of Operations

Ten months ended June 30, 2001

Revenue:	
Tuition fees	$ 6,258,548
Government grants	1,830,587
Rental and sundry income	468,548
Textbook sales	206,474
Amortization of deferred capital contributions (note 8)	137,668
Interest income	51,710
Donations and collections	50,402
	9,003,937
Expenses:	
Salaries, contracts and benefits	5,680,019
Maintenance, utilities and security	742,471
Amortization	347,123
Advertising	237,200
Office supplies	198,511
Computer maintenance	193,047
Textbooks	178,057
Mortgage and loan interest	141,197
Travel and entertainment	89,331
Miscellaneous	50,334
Bank charges and payroll service	35,919
Postage	22,960
Memberships and subscriptions	21,465
Insurance	19,535
Professional fees	19,258
Piano tuning and moving	18,722
Scholarships	17,565
Minor equipment purchases	14,727
Debt collection fees and bad debts	5,228
	8,032,669
Excess of revenue over expenses	$ 971,268

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE - EDMONTON

Statement of Changes in Net Assets

Ten months ended June 30, 2001

	Invested in Capital Assets	Restricted for Scholarship Endowments	Unrestricted	Total
Balance, beginning of period	$ –	$ –	$ –	$ –
Net assets acquired on transfer from Alberta College (note 3)	1,297,941	187,550	(1,297,941)	187,550
Excess of revenue over expenses	–	–	971,268	971,268
Transfers:				
Amortization of internally funded capital assets	(209,455)	–	209,455	–
Additions to capital assets	284,857	–	(284,857)	–
Repayment of land long-term debt	2,285,000	–	–	2,285,000
Balance, end of period	$3,658,343	$ 187,550	$ (402,075)	$3,443,818

ALBERTA COLLEGE - EDMONTON

Statement of Cash Flows

Ten months ended June 30, 2001

Cash flow provided from (used in) operating activities:	
Excess of revenue over expenses	$ 971,268
Items not affecting cash flow:	
Amortization of capital assets	347,123
Amortization of deferred capital contributions	(137,668)
Change in non-cash operating working capital	(1,272,168)
	(91,445)
Cash flow (used in) investing activities:	
Increase in restricted cash	(299,102)
Purchase of capital assets	(284,857)
	(583,959)
Cash flow provided from (used in) financing activities:	
Contributions received for repayment of building long-term debt, obligations under capital lease and equipment (note 7)	1,276,246
Contributions received for repayment of long-term debt related to land	2,285,000
Repayment of obligations under capital lease	(262,144)
Repayment of long-term debt	(3,000,000)
	299,102
Net decrease in cash	(376,302)
Cash flow provided on transfer (note 3)	
Working capital deficiency assumed	2,601,669
Restricted cash and capital assets assumed	(5,210,486)
Debt and net assets assumed	3,912,545
	1,303,728
Cash, end of period	$ 927,426

The accompanying notes are part of these financial statements.

1. **Purpose of the Organization:**

Alberta College-Edmonton was established as a public college under the Colleges Act RSA 2000, C-19 and an Interim Government Authority appointed by Order-in-Council 262/2000. On August 31, 2000 Alberta College agreed to transfer all its assets and liabilities to Alberta College–Edmonton. Alberta College–Edmonton (the College) offers programs and courses in High School, Careers and Music. The College is a Not-for-Profit organization and is exempt from taxation under provisions of the Income Tax Act. The College received a Tuition Fee Policy waiver under section 13(4) of the Colleges Act for the year ended June 30, 2001.

2. **Significant accounting policies and reporting practices:**

(a) Basis of presentation:

These financial statements are prepared on the basis that the College will continue to operate throughout its next fiscal period as a going concern, which assumes the realization of assets and the liquidation of liabilities in the normal course of business. The College has agreed to continue to offer its current educational programs and services throughout the 2001-2002 academic year.

(b) Revenue recognition:

The College follows the deferral method of accounting for grants and contributions, the key elements of which are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year received or receivable.

(ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(iv) Any externally restricted contributions requiring that the amounts should not be expended, such as endowment contributions, are recorded as direct increases in net assets. Restricted contributions for the purchase of capital assets which will not be amortized, are recorded as direct increases in net assets.

(v) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

2. Significant accounting policies and reporting practices, continued:

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital assets are stated at cost. Buildings, furniture and equipment, and equipment under capital lease are amortized using the straight-line method over their estimated useful lives. Purchases of less than $500 for an individual item are expensed as incurred.

Asset	Useful life
Building	32 years
Furniture and equipment	3.5 years
Equipment under capital lease	3.5 years

(e) Unearned revenue:

Enrolment fees paid in advance relating to programs and courses that will be held during the following year are deferred and recognized in the period the programs and courses are held.

3. Transfer from Alberta College:

Effective September 1, 2000, Alberta College transferred to Alberta College-Edmonton (the College) all its assets, liabilities and endowment net assets and responsibility for the management, administration and delivery of its programs. While an appraisal valued the land and building transferred at $15,330,000, it was not possible to determine their fair value taking into consideration the College's obligation to provide further funding for the Alberta College programs.

Capital and other transferred assets have been given a value equal to the value of the liabilities and endowment net assets that the College assumed.

Assets, Liabilities and Net assets transferred:

Cash – unrestricted	$ 1,303,728
Working capital	
Accounts receivable	$ 201,082
Inventories	95,346
Prepaid expenses	165,672
Accounts payable and accrued liabilities	(767,318)
Deferred contributions	(17,433)
Unearned revenue	(2,279,018)
	$ (2,601,669)
Restricted cash and capital assets	
Cash – restricted	$ 187,550
Building	1,729,854
Furniture and equipment	225,040
Equipment under capital lease	783,042
Land	2,285,000
	$ 5,210,486
Debt and net assets	
Long-term debt	$ (3,724,995)
Scholarship endowments	(187,550)
	$ (3,912,545)

4. Capital assets and investment in capital assets:

			2001
	Cost	Accumulated amortization	Net book value
Land	$ 2,285,000	$ –	$ 2,285,000
Building	1,729,854	49,135	1,680,719
Furniture and equipment	509,897	117,224	392,673
Equipment under capital lease	783,042	180,764	602,278
	$ 5,307,793	$ 347,123	4,960,670
Less: obligations under capital leases (note 5)			(462,851)
unamortized deferred capital contributions (note 8)			(839,476)
Investment in capital assets			$ 3,658,343

5. Obligations under capital leases:

Obligations under capital leases ranging from 8.721% to 9.608%, amortized over three years	$ 462,851
Less current portion	310,441
	$ 152,410

Capital lease obligation payments over the next three years are committed as follows:

	Principal	Interest	Total
2002	$ 310,441	$ 31,563	$ 342,004
2003	136,248	5,225	141,473
2004	16,162	486	16,648
	$ 462,851	$ 37,274	$ 500,125

6. Deferred contributions:

Deferred contributions represent unspent contributions externally restricted for scholarships.

7. Deferred capital contributions:

Deferred capital contributions represent unspent contributions externally restricted for capital purposes:

		2001
Contributions received during the period:		
Instructional related equipment	$	61,246
Building debt		715,000
Equipment under capital lease obligation		500,000
		1,276,246
Transferred to unamortized deferred capital contributions (note 8):		
Payment for building debt		715,000
Payment for equipment under capital lease obligation		262,144
		977,144
Increase during the period		299,102
Balance, beginning of period		–
Balance, end of period	$	299,102

8. Unamortized deferred capital contributions:

Unamortized deferred capital contributions represent external funding of capital assets which will be recognized as revenue in the future.

		2001
Beginning balance	$	–
Amount transferred from deferred capital contributions (note 7)		977,144
Amount amortized to revenue		(137,668)
	$	839,476

9. Commitments:

The College has ongoing lease commitments with expiration terms to 2002 of $16,721.

10. Donations to be kept in perpetuity:

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact.

11. Budget:

The College is required to submit a budget, approved by the Interim Governing Authority, to the Minister of Alberta Learning for his approval. The 2000-2001 College Budget was approved by the Interim Governing Authority on October 4, 2000.

Revenue:	
Tuition fees	$ 7,141,110
Government grants	1,165,633
Supplies for resale	190,000
Rental income and sundry income	447,500
Interest income	16,000
	8,960,243
Expenses:	
Salaries, contracts and benefits	6,309,613
Maintenance, utilities and security	877,206
Amortization	541,670
Supplies for resale	160,000
Mortgage and loan interest	230,000
Supplies, texts and duplicating	272,950
Advertising	225,350
Computer maintenance	275,900
Miscellaneous	96,080
Travel and entertainment	138,720
Professional fees	50,375
Bank charges	30,000
Insurance	24,267
Minor equipment purchases	9,000
Piano tuning and moving	20,000
Postage	34,350
Memberships and subscriptions	39,160
Debt collection fees and bad debts	5,000
Program development	3,000
	9,342,641
Excess of expenses over revenue	$ (382,398)

12. Pension expense:

The College has a defined contribution pension plan in which all non-academic employees may participate after completing one year of full-time employment. The employee's contribution is matched by the College to a maximum of 7% of gross salary. The College's pension expense for 2001 was $82,079.

ALBERTA COLLEGE - EDMONTON

Notes to Financial Statements, continued

Ten months ended June 30, 2001

13. Salaries and benefits:

			2001
	Salary (1)	Benefits and Allowances (2)	Total
President (3)	$ 95,000	$ 27,300	$ 122,300
Vice-President	75,058	6,986	82,044
Director of Multimedia	66,475	7,643	74,118
Director of Music	65,300	7,962	73,262
Principal	55,792	1,713	57,505
	$ 357,625	$ 51,604	$ 409,229

(1) Salary includes regular base pay.

(2) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan and tuition.

(3) Automobile provided, no dollar amount included in benefits and allowance figure.

14. Subsequent event:

The Minister of Learning has approved a proposal that will see the College's assets and programs transferred to Grant MacEwan College (Grant MacEwan) and the Northern Alberta Institute of Technology (NAIT), effective July 1, 2002. The Tourism & Hospitality and Multimedia programs along with related assets will transfer to NAIT, with all remaining programs and assets being transferred to Grant MacEwan. It is expected that the College's assets and liabilities will be transferred at the College's book value.

15. Related parties:

Transactions between the College and the Province are disclosed in the Statements of Operations and Financial Position as follows:

	Revenue	Deferred capital contribution	Accounts payable	Unearned revenue	UDCC	Invested in capital assets
Operating Grant	$ 1,100,000	$ -	$ -	$ -	$ -	$ -
Private School Grant	288,913	-	172,194	-	-	-
CASE	199,650	-	-	-	-	-
ACCESS	148,000	-	-	58,865	-	-
AISI	94,024	-	-	-	-	-
Amortization of:						
Contribution for building	18,620	-	-	-	696,380	-
Contribution for leases	119,048	237,856	-	-	143,096	-
Contribution of Land	-	-	-	-	-	2,285,000
Equipment	-	61,246	-	-	-	-
	$ 1,968,255	$ 299,102	$ 172,194	$ 58,865	$ 839,476	$ 2,285,000

ALBERTA COLLEGE OF ART AND DESIGN

FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Alberta College of Art and Design

I have audited the statement of financial position of the Alberta College of Art and Design as at June 30, 2001 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
November 16, 2001

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash and investments (Note 4)	$ 2,635,600	$ 2,022,669
Accounts receivable and prepaid expenses	124,722	152,480
Inventories	374,924	390,417
	3,135,246	2,565,566
Non-current:		
Cash and investments (Note 4)	2,266,723	2,113,223
Capital assets (Note 6)	8,102,094	8,138,642
	$ 13,504,063	$ 12,817,431
LIABILITIES AND NET ASSETS		
Current:		
Trade accounts payable	$ 768,207	$ 644,047
Deferred fees	93,379	95,635
Deferred contributions (Note 7)	516,577	657,334
Accrued vacation	583,245	543,023
Accrued benefits (Note 16)	63,934	-
	2,025,342	1,940,039
Non-current:		
Accrued benefits (Note 16)	21,033	-
Unamortized deferred capital contributions (Note 8)	7,494,865	7,377,778
Deferred capital contributions (Note 7)	414,858	769,902
	9,956,098	10,087,719
Net assets:		
Unrestricted	719,180	215,527
Internally restricted (Note 9)	578,202	501,000
Invested in capital assets	607,229	760,864
	1,904,611	1,477,391
Endowments (Note 10)	1,643,354	1,252,321
	3,547,965	2,729,712
	$ 13,504,063	$ 12,817,431

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 17)	Actual	Actual
Revenue:			
Operating grants (Note 11)	$ 6,694,052	$ 6,892,510	$ 6,754,523
Tuition fees	2,501,470	2,554,251	2,207,912
Continuing education fees	584,000	593,340	756,220
Bookstore sales	680,000	683,921	689,149
Sales, rentals and services	120,000	140,057	127,195
Donations, gifts in kind and fundraising events (Note 13)	90,000	593,097	309,066
Scholarships	28,000	35,445	29,800
Investment income (Note 5)	160,000	226,983	170,198
Earned capital contributions (Note 8)	809,506	758,716	792,136
	11,667,028	12,478,320	11,836,199
Expense (Note 12):			
Salaries, benefits and allowances	6,958,774	6,977,049	6,418,850
Supplies and services	3,058,082	3,025,395	2,887,966
Bookstore - cost of sales	422,000	441,417	401,225
Fundraising projects (Note 13)	90,000	604,088	305,132
Scholarships	52,000	90,800	76,350
Amortization	921,908	894,351	904,170
Loss on disposal of capital assets	-	18,000	24,226
	11,502,764	12,051,100	11,017,919
Excess of revenue over expense, for the year	$ 164,264	$ 427,220	$ 818,280

ALBERTA COLLEGE OF ART AND DESIGN

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001						2000
	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
Excess of revenue over expense	$ 427,220	$ -	$ -	$ 427,220	$ -	$ 427,220	$ 818,280
Transfer to/from internally restricted	(77,202)	77,202	-	-	-	-	-
Increase in endowments (Note 10)	-	-	-	-	391,033	391,033	45,306
Internally funded:							
Purchase of capital assets	-	-	-	-	-	-	-
Amortization of capital assets	135,635	-	(135,635)	-	-	-	-
Disposal of capital assets	18,000	-	(18,000)	-	-	-	-
Donated artwork	-	-	-	-	-	-	145,140
Increase in net assets	503,653	77,202	(153,635)	427,220	391,033	818,253	1,008,726
Balance, beginning of year	215,527	501,000	760,864	1,477,391	1,252,321	2,729,712	1,720,986
Balance, end of year	$ 719,180	$ 578,202	$ 607,229	$ 1,904,611	$ 1,643,354	$ 3,547,965	$ 2,729,712

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Operating activities:		
Excess of revenue over expense	$ 427,220	$ 818,280
Non-cash transactions:		
Earned capital contributions	(758,716)	(792,136)
Amortization	894,351	904,170
Loss on disposal of capital assets	18,000	24,226
Change in pension liability	-	(86,266)
	580,855	868,274
Changes in non-cash working capital (Note 18)	(241,214)	681,379
Cash generated from operating activities	339,641	1,549,653
Investing activities:		
Purchase of capital assets:		
Internally funded	-	(151,483)
Externally funded	(875,803)	(579,814)
Donated artwork	-	(145,140)
Proceeds on disposal of capital assets	-	3,570
Increase in non-current cash and investments	(153,500)	3,587
Accrued benefits	21,033	-
Construction payables	369,768	-
Cash used in investing activities	(638,502)	(869,280)
Financing activities:		
Capital contributions received	520,759	439,921
Increase in Due from Ministry of Learning	-	464,000
Increase in endowments	391,033	45,306
Donated artwork	-	145,140
Cash provided from financing activities	911,792	1,094,367
Net increase in current cash and investments	612,931	1,774,740
Current cash and investments, beginning of year	2,022,669	247,929
Current cash and investments, end of year	$ 2,635,600	$ 2,022,669

ALBERTA COLLEGE OF ART AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

Note 1 Authority and Purpose

The Alberta College of Art and Design (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and is exempt from payment of income tax.

The College is a public institution for education in visual arts, design and digital media, which delivers both post-secondary degree and diploma programs and adult and children's continuing education programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

(a) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(b) Investments

Investments are recorded at cost. Gains are recognized at realization. Losses are recognized at realization or when there is an other than temporary impairment in the value of an investment.

(c) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Learning.

Note 2 Summary of Significant Accounting Policies (continued)

(c) Capital Assets (continued)

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets, which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	28 years
Leasehold improvements	remaining life of the building
Furnishings and equipment	5-10 years

The artwork collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation.

Construction in progress includes design fees and fees for construction directly attributable to the construction of capital assets. Amortization will commence when the asset is ready for use.

(d) Revenue Recognition

Operating grants and unrestricted investment income are recognized in the period when receivable.

Amounts received for fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies (continued)

(d) Revenue Recognition (continued)

Externally restricted non-capital grants, donations and interest are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital grants, donations and interest are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(e) Employee Benefits

The College participates with other employers in the Local Authorities Pension Plan (the "Plan"). This Pension Plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees based on their years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's surplus or deficit is not recorded by the College.

The College Board of Governors has also approved early retirement and voluntary severance plans which provide employees leaving the employment of the College under specific conditions with bridge payments, lump sum payments in lieu of benefits or continued benefits for specific periods. The bridge payments, lump sum benefit payments and liabilities for future benefit payments are recorded by the College in the year the retirement application is approved.

Note 3 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans and other employee future benefits. The College now records pension expense equivalent to its annual contributions payable during the year. The College no longer records the College's portion of the pension plan surplus or deficit. Due to the elimination of the unfunded obligation in respect of the pre-1992 service for the plan, which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure. In addition, the College now records an expense related to other employee future benefits (Note 16). This change in accounting policy has been applied retroactively without restatement of comparative amounts.

Note 4 Cash and Investments, Current and Non-Current

The Board of Governors, through its Finance Committee monitors the performance of the investment portfolio. Under the investment policy the prime objectives of the investment fund are the generation of income, conservation of capital and growth of capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Realized return includes interest income and gains and losses on disposals of investments. In 2001, the cash and investments obtained a realized return of 8.3% (2000 7.2%).

During the year, the College changed its investment management firm, disposed of its mutual fund portfolio managed by Bissett and Associates and acquired a mutual fund portfolio managed by Mawer Investment Management.

Note 4 Cash and Investments, Current and Non-Current (continued)

Investments are currently held as money market, bond and equity mutual funds managed through an investment advisor. Cash and investments are summarized as follows:

	2001			2000		
	Cost	Market	Yield to Market	Cost	Market	Yield to Market
Cash	$2,935,875	$2,935,875	-	$2,671,518	$2,671,518	-
Mutual funds:						
Money market fund A/R	15,150	15,150		24,470	24,470	5.64%
Bond fund	1,361,301	1,368,901	6.13%	1,038,674	1,010,435	6.46%
International equity	-	-		120,722	136,803	1.87%
Microcap equity	-	-		24,991	34,533	0.32%
Pooled equity account	589,997	572,955	3.57%	255,517	329,070	1.30%
Total cash and investments	4,902,323	$4,892,881		4,135,892	$4,206,829	
Held as non-current assets	2,266,723			2,113,223		
Held as current assets	$2,635,600			$2,022,669		

Where fair value is less than cost, in management's best judgment, and based on market trends, the fair value will likely recover over time.

Cash and investments held as non-current represent funds not available for current operations and comprise endowments and deferred capital contributions restricted for the purchase of capital assets, as follows:

	2001	2000
Endowments (Note 10)	$1,643,354	$1,252,321
Deferred capital contributions (Note 7)	414,858	769,902
Internally restricted for capital (Note 9)	208,511	91,000
	$2,266,723	$2,113,223

Note 5 Investment Income

	2001	2000
Investment income on resources held for endowment (Note 10)	$ 162,705	$ 58,400
Investment income on unrestricted resources	166,716	108,920
Capital gain on sale of mutual funds	-	14
Total investment income	329,421	167,334
Amounts credited directly to endowment principal	(41,068)	(14,600)
Interest (deferred)/recognized in the period	(61,370)	17,464
	$ 226,983	$ 170,198

Note 6 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility license	$12,207,000	$ 6,975,707	$5,231,293	$5,667,235
Furniture and equipment	3,464,717	2,503,083	961,634	1,233,714
Leasehold improvements	1,622,811	847,896	774,915	834,871
Permanent art collection	317,008	-	317,008	335,008
Construction in progress	817,244	-	817,244	67,814
	$18,428,780	$10,326,686	$8,102,094	$8,138,642

Note 7 Deferred Contributions

	2001	2000
Contributions received during the year:		
Capital grants	$ 504,452	$ 544,124
Capital donations	8,000	5,450
Donations - gifts in kind	454,410	192,474
Non-capital grants	87,144	288,592
Non-capital donations	122,635	263,081
Restricted investment income	121,637	43,800
	1,298,278	1,337,521
Transferred to revenue:		
Operating grants	(253,921)	(223,469)
Donations, gifts in kind and fundraising events	(604,088)	(284,565)
Investment income	(60,267)	(61,264)
	(918,276)	(569,298)
Transferred to:		
Unamortized deferred capital contributions (Note 8)	(875,803)	(579,814)
Endowments	-	(3,600)
	(875,803)	(583,414)
(Decrease) increase during the year	(495,801)	184,809
Balance at beginning of year	1,427,236	1,242,427
Balance at end of year	$ 931,435	$ 1,427,236
The balance is restricted for:		
Capital	$ 414,858	$ 769,902
Non-capital:		
HRDC and Province of Alberta and conditional grants	272,963	439,249
Scholarships	183,008	127,498
Other	60,606	90,587
	516,577	657,334
	$ 931,435	$ 1,427,236

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2001	2000
Balance at beginning of year	$ 7,377,778	$ 7,590,100
Add: transfers from deferred contributions (Note 7)	875,803	579,814
Less: amount earned and transferred to revenue	(758,716)	(792,136)
Balance at end of year	$ 7,494,865	$ 7,377,778

Note 9 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operating net assets as follows:

	2001			
	Opening	Expended	Appropriations	Closing
Non capital:				
Human resource infrastructure	$100,000	$ -	$ 36,000	$ 136,000
Marketing, recruitment and promotion	100,000	(100,000)	50,000	50,000
Program and administrative reviews	85,000	(70,662)	15,000	29,338
Utilities	75,000	-	-	75,000
Website development and maintenance	20,000	(4,858)	45,000	60,142
College expansion initiative	30,000	(10,789)	-	19,211
	410,000	(186,309)	146,000	369,691
Capital:				
Digital equipment	50,000	-	50,000	100,000
Other capital (renovations)	41,000	-	42,511	83,511
Administrative system applications	-	-	25,000	25,000
	91,000	-	117,511	208,511
Totals	$501,000	$ (186,309)	$ 263,511	$ 578,202

Note 10 Endowments

	2001	2000
Balance at beginning of year	$ 1,252,321	$ 1,207,015
Donations received	349,965	27,106
Capitalized investment income	41,068	14,600
Transfer from deferred contributions	-	3,600
	391,033	45,306
Balance at end of year	$ 1,643,354	$ 1,252,321

During the year, investment income earned on endowments was recorded according to stipulations as follows:

	2001	2000
Income earned during the year (Note 5)	$ 162,705	$ 58,400
Recognized as revenue	$ 60,267	$ 43,800
Capitalized as endowment principal	41,068	14,600
Deferred	61,370	-
	$ 162,705	$ 58,400

Note 11 Operating Grants

	2001	2000
Province of Alberta:		
Base	$ 5,911,031	$ 5,688,166
Performance funding	172,385	222,865
Infrastructure renewal	98,861	109,634
Access funding	270,000	122,800
Energy and Enrolment grants	285,173	101,291
Volunteer centre grant	17,028	68,114
Alberta Foundation for the Arts	22,172	23,422
Alberta Opportunity Bursary	9,500	11,500
Knowledge network	3,451	12,436
AHRE Disability Training grants	36,727	-
Human Resources grants	32,216	-
Other	19	16,296
	6,858,563	6,376,524
Other:		
Human Resources Development Canada	-	347,430
Canada Council	2,150	2,777
Community Lottery Board	26,869	-
Other	4,928	27,792
	$ 6,892,510	$ 6,754,523

Note 12 Expense by Function

	2001	2000
Expense:		
Instruction	$ 4,624,999	$ 4,649,436
Academic support	1,637,530	1,529,795
Student services	721,015	649,760
Institutional support	3,478,880	2,646,889
Other costs	676,325	613,643
Amortization	894,351	904,170
Loss on disposal of capital assets	18,000	24,226
	$ 12,051,100	$ 11,017,919

Note 12 Expense by Function (continued)

Instruction encompasses all educational and instructional programs, including credit programming and continuing education. Academic support includes all activities that directly support education and instruction. Student services include all activities or services to students.

Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations as well as college fundraising, communications and development expenses. A significant component of fundraising and development expenses is an annual major fundraising event, the total cost of which is included in institutional support costs.

Other costs include the bookstore cost of sales and direct bookstore operating costs. Other costs also include the direct salary costs incurred by this department of the College for purchase, receipt and distribution of all materials for instructional, operational and retail purposes and for the receipt of all College revenues, including student tuition and fees.

Note 13 Fundraising Revenue and Expense

	2001		
	Artrageous	Other	Total
Contributions received in the year:			
Fundraising	$ 35,830	$ 46,334	$ 82,164
Ticket sales	118,380	1,563	119,943
Gifts in kind	449,745	4,665	454,410
Other sales	12,965	-	12,965
Total receipts	616,920	52,562	669,482
Transfer (to) from deferred contributions	38,104	(7,813)	30,291
Transfer to endowments	(100,000)	-	(100,000)
Transfer to UDCC	-	(6,676)	(6,676)
Total revenue	$ 555,024	$ 38,073	$ 593,097
Expenses			
Gifts in kind	449,750	4,665	454,415
Event expenses	103,316	2,101	105,417
Contracts	-	24,579	24,579
Artist fees	1,959	2,500	4,459
Other	-	15,218	15,218
Total expenses	$ 555,025	$ 49,063	$ 604,088

	2000		
	Virtues & Vices	Other	Total
Contributions received in the year:			
Fundraising	$ 52,186	$ 311,762	$ 363,948
Ticket sales	39,050	86,887	125,937
Gifts in kind	45,760	152,164	197,924
Total receipts	136,996	550,813	687,809
Transfer (to) from deferred contributions	-	(358,872)	(358,872)
Transfer to scholarships	(19,871)	-	(19,871)
Total revenue	$ 117,125	$ 191,941	$ 309,066
Expenses			
Gifts in kind	45,760	153,796	199,556
Event expenses	9,715	-	9,715
Other	61,650	34,211	95,861
Total expenses	$ 117,125	$ 188,007	$ 305,132

Note 14 Salaries, Benefits and Allowances (Board and College Executive Staff)

	2001			2000
	Salary[a]	Benefits and Allowances[b]	Total	Total
Board of Governors				
Chair	$ -	$ -	$ -	$ -
Members	2,508	-	2,508	1,517
President	108,780	40,189	148,969	131,687
Vice President, Finance	77,101	27,940	105,041	101,189
Vice President, Academic	75,344	11,022	86,366	82,989
Vice President, Development	62,400	10,084	72,484	64,851
Director - Student Services	64,558	10,259	74,817	71,839
	$ 390,691	$ 99,494	$ 490,185	$ 454,072

(a) Salary includes regular base pay, honoraria, and other direct remuneration.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, employment insurance, health care, extended health and dental coverage, group life insurance, accidental disability and dismemberment, long-term disability and workers compensation plans. Benefits and allowances also include contractual allowances paid to the President and Vice President, Finance and the accrual for the supplemental pension plan for the President.

Note 15 Recovery of Investment Previously Written Down

The College holds two unsecured promissory notes from Olympia and York Exchange Tower Limited with a total face value of $361,679. The maturity date of these notes was March 20, 1992. The Olympia and York Group of companies was placed under court protection and a trustee appointed to manage the company on behalf of creditors. In 1992, management estimated that these notes had no realizable value and charged the value of the notes against operations in the 1991/92 fiscal year. Although the trustee in bankruptcy maintains control over funds still to be distributed, no amounts were received in partial recovery of these notes in 2001 (2000 $5,042). The unrecovered amount of these notes as at June 30, 2001 is $156,649.

Note 16 Employee Benefits

The College has early retirement and severance plans. The College also provides a supplemental pension plan for the President which is unfunded. The College's liability and expense under these plans included in the financial statements is $84,967 (2000 - $ nil).

The pension expense recorded in these financial statements for the Local Authorities Pension Plan is equivalent to the College's annual contributions payable of $251,179 for the year ended June 30, 2001 (2000 - $229,276).

At December 30, 2000, the Local Authorities Pension Plan reported a surplus of $883,823,000 (1999 - $880,358,000).

Note 17 Budget

The budget was approved by the Board of Governors in May 2000 and revised on January 30, 2001.

	Original Budget	Revised Budget
Revenue:		
Operating grants	$ 6,437,748	$ 6,694,052
Tuition fees	2,360,438	2,501,470
Continuing education fees	554,615	584,000
Bookstore sales	626,000	680,000
Sales, rentals and services	99,500	120,000
Donations, gifts in kind and fundraising events	118,000	90,000
Scholarships	-	28,000
Investment income	93,900	160,000
Earned capital contributions	809,506	809,506
	11,099,707	11,667,028
Expense:		
Salaries, benefits and allowances	6,902,319	6,958,774
Supplies and services	2,662,214	3,058,082
Bookstore - cost of sales	422,000	422,000
Fundraising projects	90,000	90,000
Scholarships	52,000	52,000
Amortization	921,908	921,908
	11,050,441	11,502,764
Excess of revenue over expense	$ 49,266	$ 164,264

Note 18 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable and prepaid expenses	$ 27,758	$ (30,529)
Inventories	15,493	(9,533)
Trade accounts payable	124,160	364,430
Deferred fees	(2,256)	(6,303)
Deferred contributions	(140,757)	324,702
Accrued vacation	40,222	38,612
Accrued benefits	63,934	-
	128,554	681,379
Less: Construction payables	(369,768)	-
	$ (241,214)	$ 681,379

Note 19 Related Party Transactions

a) Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows:

	2001		2000	
	Revenue	Deferred Contributions and UDCC	Revenue	Deferred Contributions and UDCC
Operating grants	$ 5,911,031	$ -	$ 5,688,166	$ -
Performance funding	172,385	-	222,865	-
Access funding	270,000	-	118,800	54,000
Infrastructure renewal	19,738	273,904	109,634	398,278
Curriculum Development	-	-	4,000	96,000
CRF grant	-	-	101,291	28,823
AHRE Disability Training grants	36,727	-	-	-
Energy and Enrolment grants	285,173	-	-	-
VRDP grants	-	-	68,114	17,028
Alberta Foundation for the Arts	-	-	23,422	22,172
Human Resources grants	32,216	6,051	9,307	-
LEE grant	-	-	-	106,781
Alberta Opportunity Bursary	-	-	11,500	8,500
Transfer from deferred contributions	131,293	(131,293)	19,425	(19,425)
	$ 6,858,563	$ 148,662	$ 6,376,524	$ 712,157

b) Southern Alberta Institute of Technology

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The College and the Institute are parties to letters of agreement for the provision of utilities, maintenance and systems support. Amounts paid or payable to the Institute in 2001 for these purposes totaled $1,094,937 (2000 $783,156). These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 19 Related Party Transactions (continued)

c) Bow Valley College

The College and Bow Valley College collaborate in offering Artstream, an Access funded program which provides academic upgrading and foundation art courses to students in preparation for entry into the College's diploma/degree programming. Amounts paid to Bow Valley College in 2001 for these purposes totaled $44,550 (2000 $43,276). These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 20 Contractual Obligations

As at June 30, 2001, the College has contractual commitments of $564,963 for capital projects.

Note 21 Comparative Figures

Certain 2000 comparative figures have been reclassified to conform to 2001 presentation.

Note 22 Approval of Financial Statements

These financial statements were approved by the Board of Governors at the November 27, 2001 meeting of the Board.

BOW VALLEY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Bow Valley College

I have audited the balance sheet of the Bow Valley College as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 15, 2001

BOW VALLEY COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2001

	2001	2000
Assets		
Current:		
Cash (Note 4)	$ 1,721,976	$ 1,686,817
Accounts receivable	1,776,853	2,006,506
Due from the Ministry of Alberta Learning	32,978	281,337
Inventories (Note 5)	471,642	231,379
Prepaid expenses	59,621	117,845
	4,063,070	4,323,884
Non-current cash (Note 4)	6,834,398	2,122,001
Capital assets (Note 6)	22,644,845	23,737,606
	$ 33,542,313	$ 30,183,491
Liabilities and Net Assets		
Current:		
Accrued vacation pay	1,472,208	1,440,694
Accounts payable and accrued liabilities	773,354	1,329,010
Unearned revenue (Note 7)	777,658	392,697
Deferred contributions (Note 8)	568,800	1,098,831
Lease obligation (Note 12)	5,031	105,000
	3,597,051	4,366,232
Deferred capital contributions (Note 9)	4,009,470	474,918
Unamortized deferred capital contributions (Note 10)	19,754,059	20,505,093
Long-term lease obligation (Note 12)	-	15,280
	27,360,580	25,361,523
Net assets:		
Unrestricted	471,050	62,652
Internally restricted (Note 14)	2,824,928	1,647,083
Invested in capital assets (Note 23)	2,885,755	3,112,233
	6,181,733	4,821,968
	$ 33,542,313	$ 30,183,491

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (As Restated Note 3)
Revenue:		
Grants and provincial government contributions (Note 15)	$13,188,072	$12,378,138
Tuition fees	5,769,164	4,807,683
Contract programs (Note 16)	5,072,503	5,228,355
Ancillary services	1,092,817	798,325
Investment income	275,448	206,840
Donations, contributions and gifts-in-kind	441,775	154,795
(Loss) gain on disposal of capital assets	(3,269)	163
Amortization of deferred capital contributions (Note 10)	1,301,901	633,507
	27,138,411	24,207,806
Expense:		
Compensation and benefits (Note 17)	15,980,861	16,581,915
Supplies and services (Note 18)	7,250,424	5,996,391
Ancillary services	787,159	403,739
Amortization of capital assets	1,650,786	1,016,432
Scholarship and bursaries	109,416	116,636
	25,778,646	24,115,113
Excess of revenue over expense	$1,359,765	$92,693

BOW VALLEY COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001				2000
	Invested in Capital Assets	Internally Restricted (Note 14)	Unrestricted	Total	(As Restated Note 3) Total
Excess of revenue over expense	-		$1,359,765	$1,359,765	$92,693
Net assets restricted by the Board:					
Facilities improvement	-	950,000	(950,000)	-	-
Fund development	-	227,845	(227,845)	-	-
Acquisition of internally funded capital assets	69,254	-	(69,254)	-	-
Repayment of obligation under capital lease	69,720	-	(69,720)	-	-
Contribution of land	-	-	-	-	2,305,697
Disposal of internally funded assets	(1,938)	-	1,938	-	-
Amortization of internally funded capital assets	(363,514)	-	363,514	-	-
Increase (decrease) in net assets	(226,478)	1,177,845	408,398	1,359,765	2,398,390
Net assets, beginning of year, as restated	3,112,233	1,647,083	62,652	4,821,968	2,423,578
Net assets, end of year	$2,885,755	$2,824,928	$471,050	$6,181,733	$4,821,968

BOW VALLEY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (As Restated Note 3)
Operating activities		
Excess of revenue over expense	$1,359,765	$92,693
Non-cash transactions:		
Amortization of deferred capital contributions (Note 10)	(1,301,901)	(633,507)
Amortization of capital assets - externally funded	1,287,272	633,031
Amortization of capital assets - internally funded	363,514	383,401
Loss (gain) on disposal of capital assets	3,269	(163)
	1,711,919	475,455
Net change in non-cash working capital (Note 22)	(373,239)	510,413
Cash generated from operating activities	1,338,680	985,868
Investing activities		
Increase in non-current cash	(4,712,397)	(115,839)
Acquisition of capital assets - internally funded	(69,254)	(517,606)
Acquisition of capital assets - externally funded	(501,751)	(20,088,535)
Acquisition of capital assets - financing	(3,587)	(124,715)
Proceeds on disposal of capital assets	13,298	1,780
Contribution of land	-	(2,305,697)
Cash applied to investing activities	(5,273,691)	(23,150,612)
Capital contributions received (Note 9)	4,085,419	19,871,021
Proceeds from lease obligation	3,587	124,715
Payment on capital leases	(118,836)	(158,316)
Contribution of land	-	2,305,697
Cash generated from financing activities	3,970,170	22,143,117
Increase (decrease) in cash	35,159	(21,627)
Cash at beginning of year	1,686,817	1,708,444
Cash at end of year	$1,721,976	$1,686,817

Note 1 Authority and Purpose

Bow Valley College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

The College serves primarily the City of Calgary and communities in Southern Alberta. The College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Prior to September 1, 1997, the College was operated directly by the Ministry of Alberta Learning.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period receivable. Operating grants received for use in a future period are deferred until that future period.

Restricted Contributions

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted captial contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as direct increases to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Program Delivery

Amounts received for tuition fees, contract programs and sale of goods and services are recognized as revenue in the period in which the programs, goods or services are provided.

(b) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Building	22 years
Furniture, vehicles and equipment	10 years
Computer equipment and related software	3-5 years
Software development	3 years
Educational resources	2 years

Leasehold and site improvements are amortized over the lower of expected useful life of the related buildings or the remaining term of the lease.

Assets under capital leases are amortized on a basis that is consistent with the above.

(c) Inventories

Inventories, that are comprised of goods for resale, are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Employee Future Benefits

The College participates in the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the College's participating employees, based on years of service and earnings.

Note 2 **Significant Accounting Policies and Reporting Practices (continued)**

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(e) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of cost of services recorded (Note 19) with a corresponding amount in grants and other provincial government contributions (Note 15) consists of the fair value, represented by the Department of Infrastructure's amortization cost, of the building occupied by the College, prior to the transfer to the College.

Note 3 Change in accounting policy and Prior Period adjustment

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of the change in accounting policy, the College's financial statements for the year ended June 30, 2000 have been restated.

In 2001, an error was identified in the recording of a Business and Industry training conditional grant relating to 2000. As a result, conditional grants and expenses were understated by $135,450. The error has been corrected retroactively and 2000 figures have been restated.

	2000		
	As Previously Stated	Adjustment	As Restated
Unrestricted net assets at beginning of year	$ 58,958	$ 535,734	$ 594,692
Grants and provincial government contributions	$ 12,242,688	$ 135,450	$12,378,138
Compensation and Benefits	$ 16,032,123	$ 549,792	$16,581,915
Supplies and Services	$ 5,874,999	$ 121,392	$ 5,996,391
Excess of revenue over expense	$ 628,427	$ (535,734)	$ 92,693

Note 4 Cash and Non-current Cash

Cash funds are invested in a daily interest earnings account with a Canadian chartered bank. The rates earned during the year ranged from 3.25% to 5.70% (2000: 4.45% to 5.79%).

	2001	2000
Cash	$ 8,556,374	$ 3,808,818
Non-current	(6,834,398)	(2,122,001)
	$ 1,721,976	$ 1,686,817

Non-current cash consists of amounts not available for current operations and includes:

	2001	2000
Internally restricted (Note 14)	$ 2,824,928	$ 1,647,083
Deferred capital contributions (Note 9)	4,009,470	474,918
	$ 6,834,398	$ 2,122,001

Note 5 Inventories

	2001	2000
Artwork	$ 227,845	$ -
Books and educational materials	190,163	185,500
Consumable supplies	53,634	45,879
	$ 471,642	$ 231,379

Note 6 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	$19,715,782	$1,119,231	$18,596,551	$19,470,711
Land	2,305,697	-	2,305,697	2,305,697
Computer equipment and related software	4,247,401	3,307,067	940,334	1,171,632
Furniture and equipment	828,258	556,343	271,915	158,112
Leasehold and site improvements	718,265	206,004	512,261	596,958
Educational resources	116,132	116,132	-	13,553
Vehicles	63,642	45,555	18,087	20,943
	$27,995,177	$5,350,332	$22,644,845	$23,737,606

Included in computer equipment and related software are assets under capital leases with a net book value of $88,932 and accumulated amortization of $273,570.

Note 7 Unearned Revenue

Unearned revenue is summarized as follows:

	2001	2000
Tuition fees	$571,903	$310,491
Contract programs	205,755	82,206
	$777,658	$392,697

Note 8 **Deferred Contributions**

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a).

	2001	2000 (As restated Note 3)
Contributions received during the year:		
Conditional funding	$1,818,415	$2,144,144
Donations and contributions	80,434	192,283
	1,898,849	2,336,427
Transferred to revenue:		
Conditional funding	(2,297,697)	(1,892,399)
Donations and contributions	(131,183)	(68,583)
Knowledge Network	-	(24,472)
(Decrease) increase during the year	(530,031)	350,973
Deferred contributions, beginning of year	1,098,831	747,858
Deferred contributions, end of year	$568,800	$1,098,831

Unspent amounts at the end of the year are restricted for the following purposes:

	2001	2000
Learning Quality Centre	$283,642	$485,758
Student Awards	169,305	179,532
English as a Second Language	64,410	10,000
Business and Industry Training	48,243	48,243
Academic Foundations	3,200	30,522
Facilities	-	344,776
	$568,800	$1,098,831

Note 9 Deferred Capital Contributions

	2001	2000
Contributions received during the year:		
Grant for College Renovation project	$3,000,000	$ -
Grant for Practical Nurse program	663,000	-
Grant for Infrastructure Renewal Envelope	318,644	-
Grant for Instructional Related Equipment	68,952	143,856
Grant for Assistive Technology program	20,893	-
Donation – Smart Classroom Equipment	13,930	-
Transfer of Building	-	19,694,512
Grant for Computer Technology Certificate	-	30,407
Grant for Speech Assisted Reading and Writing	-	2,246
	4,085,419	19,871,021
Transferred to:		
Unamortized deferred capital contributions (Note 10)		
Instructional Related Equipment	(328,386)	(19,301)
Infrastructure Renewal Envelope	(162,979)	(252,276)
Knowledge Network	(10,386)	(48,869)
Knowledge Network - repayment of leases	(49,116)	(116,647)
Building	-	(19,694,512)
Business Information Systems	-	(40,924)
Computer Technology Certificate	-	(30,407)
Speech Assisted Reading and Writing	-	(2,246)
	(550,867)	(20,205,182)
Increase (decrease) during the year	3,534,552	(334,161)
Deferred capital contributions, beginning of year	474,918	809,079
Deferred capital contributions, end of year	$4,009,470	$474,918
Unspent amounts at end of year are restricted for the following purposes:		
College Renovation project	3,000,000	-
Practical Nurse	663,000	-
Infrastructure Renewal Envelope	250,372	94,707
Knowledge Network	41,699	101,200
Instructional Related Equipment	16,873	276,308
Assistive Technology	20,893	-
Smart Classroom Equipment	13,930	-
Business Information System	2,703	2,703
	$4,009,470	$474,918

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized in future periods. Changes in the unamortized deferred capital contributions balances are as follows:

	2001	2000
Balance at the beginning of the year	$20,505,093	$933,418
Add: purchases of capital assets (Note 9)	501,751	20,088,535
Add: repayment of capital leases (Note 9)	49,116	116,647
Less: amount amortized to revenue	(1,301,901)	(633,507)
	$19,754,059	$20,505,093

Note 11 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $587,178 for the year ended June 30, 2001 (2000 - $559,731).

At December 31, 2000, the Public Service Pension Plan reported a surplus of $635,084,000 (1999 - $517,020,000) and the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 - $46,019,000).

Note 12 Capital Lease Obligation

	2001	2000
Capital lease obligations	$ 5,031	$ 120,280
Less: current portion	5,031	105,000
	$ -	$ 15,280

The minimum annual payments under capital lease obligations are as follows:

2001-2002	$ 6,921
2002-2003	269
Total minimum lease payment	7,190
Less imputed interest (average rate 13.75%)	2,159
Capital lease obligations	$ 5,031

During the year, interest on capital lease obligations amounting to $8,694 (2000: $21,133) has been charged to expense.

Note 13 Commitments

Future minimum annual lease payments under operating leases are:

Fiscal Year	
2002	$ 1,253,784
2003	$ 1,062,986
2004	$ 553,576
2005	$ 107,872
2006	$ 25,295

The most significant item is the lease for Rocky Mountain Plaza which will cost $986,933 in the years 2002 and 2003, and $411,222 in the year 2004.

Note 14 Internally Restricted Net Assets

The Board of Governors has designated funds for specific purposes. These are:

	2001	2000
Facilities improvement	$1,900,000	$950,000
Development projects	600,000	600,000
Fund development	227,845	-
Institutional development	97,083	97,083
	$2,824,928	$1,647,083

Note 15 Grants and Provincial Government Contributions

	2001	2000 (As Restated Note 3)
Revenue:		
General operations grant	$10,890,375	$10,347,762
Conditional funding, provincial	2,297,697	1,892,399
Contributions in kind	-	137,977
	$13,188,072	$12,378,138

For the year-ended June 30, 2000 the College recorded an in-kind contribution of $137,977 which represented the estimated operational and amortization expenses for July 1, 1999 to March 31, 2000 on the buildings owned by the Department of Learning.
As the building and land were transferred to the College on April 1, 2000, there is no in-kind contribution recorded for the year-ended June 30, 2001.

Note 16 Contract Programs

Contract revenue consists of:

	2001	2000
Federal and other governments	$3,668,425	$3,676,893
Other agencies and private sector	1,404,078	1,551,462
	$5,072,503	$5,228,355

Note 17 Compensation

	2001	2000 (As Restated Note 3)
Excluding ancillary services		
Salaries, wages, benefits, staff development	$15,729,006	$15,728,592
Vacation pay and benefits	162,869	159,456
Separation payments	88,986	693,867
	$15,980,861	$16,581,915

Note 18 Supplies and Services

	2001	2000 (As Restated Note 3)
Excluding ancillary services		
Property lease, utilities and contracts	$1,705,774	$1,358,062
Professional contracted services	1,728,248	1,161,317
Repairs and maintenance	1,053,654	755,423
Advertising	562,131	615,878
Telecommunications and rentals	227,174	221,576
Travel	218,468	172,257
Contributions in kind (Note 15)	-	137,977
Other supplies and services	1,754,975	1,573,901
	$7,250,424	$5,996,391

Note 19 **Related Parties**

The College is a Provincial Corporation. The members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning.

Transactions between the College and the Province are disclosed in the Statement of Operations and the Statement of Financial Position as follows:

	2001					
	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable	Invested in Capital Assets
General operations grant	$ 10,890,375	-	-	-	-	-
Conditional funding	2,297,697	3,592,207	-	251,955	84,441	-
	13,188,072	3,592,207	-	251,955	84,441	-
Contract programs	(1,428,126)	-	65,000	454,530	22,000	-
	$ 11,759,946	$ 3,592,207	$ 65,000	$ 706,485	$ 106,441	$ -

	2000					
	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable	Invested in Capital Assets
General operations grant	$ 10,347,762	-	-	-	-	-
Conditional funding	1,892,399	403,782	-	281,337	-	-
Contributions in kind	137,977	-	-	-	-	-
	12,378,138	403,782	-	281,337	-	-
Contract programs	1,300,782	-	38,600	-	-	-
Contributed building and land	-	19,694,512	-	-	-	2,305,697
Scholarships	-	-	-	-	34,200	-
	$ 13,678,920	$ 20,098,294	$ 38,600	$ 281,337	$ 34,200	$2,305,697

During the year, Bow Valley College also had business transactions with other public colleges, technical institutes and universities. These transactions were entered into on the same business terms as with non-related parties and are also recorded at their fair market value amounts.

Note 20 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2001			2000
	Salary (1)	Benefits and Allowances (2)	Total	Total
Board of Governors (3)	$ 6,959	$ -	$ 6,959	$ 5,652
President and Chief Executive Officer	113,207	22,253	135,460	131,500
Vice President, Academic Services (4)	99,161	15,949	115,110	106,490
Vice President, Development and Corporate Services	93,623	15,189	108,812	104,418
Executive Director, Workplace Learning (5)	85,315	8,252	93,567	-
Director, Development and Partnerships (6)	59,654	8,695	68,349	83,934
Dean, Enrolment Management and Learner Services (7)	-	-	-	88,231
	$ 457,919	$ 70,338	$ 528,257	$ 520,225

(1) Salary includes regular base pay, bonuses, overtime, vacation pay-outs, lump sum payments and honoraria.

(2) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vehicle allowances, Employment Insurance, Workers' Compensation, parking, professional memberships, and tuition.

(3) The majority of the Board members gifted their honoraria to the College. The total amount donated was $6,142.

(4) This position was shared by two incumbents. One was employed for two months, and the other incumbent for 10 months.

(5) The incumbent was appointed to the position on August 1, 2000. This is a new position.

(6) The incumbent left the position on March 6, 2001.

(7) The incumbent left the position on June 30, 2000.

Note 21 **Budget**

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The 2000 - 2001 College Budget was approved by the Board of Governors on May 26, 2000.

Revenue	
Grants - General Operations Grant	$ 10,862,204
Grants - Conditional	1,228,027
Tuition fees	5,369,661
Contract programs	5,186,575
Ancillary services	597,000
Donations and contributions	240,000
Investment income	182,000
Income from restricted contributions	35,000
Amortization of deferred capital contributions	310,268
	24,010,735
Expense	
Compensation and benefits	15,698,000
Supplies and services	6,270,000
Ancillary services	369,000
Facility leases	917,000
Scholarships and bursaries	80,000
Amortization of capital assets	594,026
	23,928,026
Excess of revenue over expense	$ 82,709

Note 22 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ 229,653	$ (530,427)
Due from the Ministry of Alberta Learning	248,359	(150,564)
Inventories	(240,263)	(65,470)
Prepaid expenses	58,224	(39,165)
Accrued vacation pay	31,514	24,541
Accounts payable and accrued liabilities	(555,656)	844,537
Unearned revenue	384,961	75,988
Deferred contributions	(530,031)	350,973
	$ (373,239)	$ 510,413

Note 23 Net Assets Invested in Capital Assets

	2001	2000
Capital Assets	$ 22,644,845	$ 23,737,606
Financed by long-term debt	(5,031)	(120,280)
Unamortized deferred contributions related to capital assets	(19,754,059)	(20,505,093)
	$ 2,885,755	$ 3,112,233

Note 24 Comparative Figures

Certain comparative amounts have been reclassified to conform to the current year financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

FAIRVIEW COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Fairview College

I have audited the consolidated statement of financial position of Fairview College as at June 30 , 2001 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 18, 2001

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	2001	2000
ASSETS		
Current		
Cash (Note 4)	$ 1,313,850	$ 952,613
Accounts receivable	823,858	482,319
Inventories (Note 5)	525,110	462,506
Prepaid expenses	172,619	60,656
	2,835,437	1,958,094
Investments (Note 6)	10,896,455	10,742,576
Capital assets (Note 7)	18,806,004	19,375,462
	$ 32,537,896	$ 32,076,132
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 769,149	$ 778,899
Accrued vacation pay	786,499	762,344
Unearned revenue	127,285	164,296
Deferred contributions (Note 8)	736,857	769,947
	2,419,790	2,475,486
Non-current		
Deferred salary plan (Note 9)	621,502	545,940
Deferred contributions for capital purposes (Note 10)	1,199,562	1,388,161
Unamortized deferred capital contributions (Note 11)	12,384,524	13,131,902
	14,205,588	15,066,003
Net assets		
Endowments	1,888,145	1,724,401
Investment in capital assets	6,421,480	6,243,560
Net assets internally restricted (Note 12)	7,138,722	6,102,511
Unrestricted net assets	464,171	464,171
	15,912,518	14,534,643
	$ 32,537,896	$ 32,076,132

The accompanying notes are part of these consolidated financial statements.

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 14)	Actual	Actual
Revenue			
Grants (Note 15)	11,165,047	$ 12,888,317	$ 11,896,467
Sales, rentals and services	1,664,389	1,891,287	1,985,599
Tuition and related fees	1,911,610	1,821,235	1,748,917
Educational contracts	162,000	591,906	479,030
Investments (Note 16)	271,001	520,466	1,064,671
Donations	80,933	86,546	136,162
	15,254,980	17,799,757	17,310,846
Amortization of deferred capital contributions (Note 11)	1,148,000	1,339,454	1,317,244
	16,402,980	19,139,211	18,628,090
Expense			
Salaries and benefits (Note 17)	9,130,729	9,710,636	9,135,273
Supplies and services	4,359,585	4,768,458	4,220,336
Cost of goods sold	530,967	469,790	483,604
Utilities	754,103	860,516	709,110
Scholarships and bursaries	75,000	74,645	72,057
Amortization of capital assets	1,552,596	1,945,774	1,896,287
Severance payments	-	96,475	144,501
	16,402,980	17,926,294	16,661,168
Excess of revenue over expense	$ -	$ 1,212,917	$ 1,966,922

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2001

	2001					2000
	Endowments	Investments in Capital Assets	Net Assets Internally Restricted	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 1,212,917	$ 1,212,917	$ 1,966,922
External endowment contributions	147,881	-	-	-	147,881	60,985
Transfers						
Acquisition of internally funded capital assets	-	952,316	-	(952,316)	-	-
Disposal of internally funded capital assets	-	(164,725)	-	164,725	-	-
Amortization of internally funded capital assets	-	(609,671)	-	609,671	-	-
Board appropriations/transfers	-	-	1,034,997	(1,034,997)	-	-
Other	15,863	-	1,214	-	17,077	-
Increase in net assets	163,744	177,920	1,036,211	-	1,377,875	2,027,907
Net assets at beginning of year	1,724,401	6,243,560	6,102,511	464,171	14,534,643	12,506,736
Net assets at end of year	$ 1,888,145	$ 6,421,480	$ 7,138,722	$ 464,171	$ 15,912,518	$14,534,643

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2001

	2001	2000
Operating activities		
Excess of revenue over expense	$ 1,212,917	$ 1,966,922
Add (deduct) non-cash transactions		
Amortization of capital assets	1,945,774	1,896,287
Change in pension liability	-	(148,000)
Change in deferred salaries	75,562	98,468
Loss (gain) on disposal of capital assets	7,037	(1,400)
Amortization of deferred capital contributions	(1,339,454)	(1,317,244)
Other	1,214	-
	1,903,050	2,495,033
Changes in non-cash working capital (Note 19)	(571,802)	(815,128)
Cash generated from operating activities	1,331,248	1,679,905
Investing activities		
Acquisition of capital assets	(1,544,392)	(1,276,538)
Proceeds on disposal of capital assets	161,039	7,278
Purchase of investments (net)	(153,879)	(2,106,200)
Cash applied to investing activities	(1,537,232)	(3,375,460)
Financing activities		
Capital contributions (Note 10)	403,477	1,377,862
Endowment contributions	163,744	60,985
Cash generated from financing activities	567,221	1,438,847
Increase (decrease) in cash	361,237	(256,708)
Cash at beginning of year	952,613	1,209,321
Cash at end of year	$ 1,313,850	$ 952,613

Note 1 Authority and Purpose

Fairview College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and is exempt from the payment of income taxes.

The College, a board governed multi-campus regional college, serves primarily northwestern Alberta with programs leading to careers in agriculture, business administration, trades and related fields.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Fairview College Foundation (the "Foundation") which operates under the Societies Act of Alberta. The Foundation was incorporated on November 27, 1986, raises funds for the use of the College and is a registered charitable organization for income tax purposes.

(b) Revenue Recognition

Operating grants are recognized in the period they become receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is required.

Externally restricted non-capital contributions and restricted interest are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recorded as direct increases in net assets.

Unrestricted contributions are recognized as revenue when they are received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition fees and services are recorded as unearned revenue and recognized as revenue in the period the services are provided or the goods are delivered.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is permanent impairment in the value of an investment.

(f) Capital Assets

Capital asset acquisitions are recorded at cost, except that certain capital assets transferred by the Province to the College were recorded at fair value as at June 1983 and June 1986, as determined by independent appraisals.

Donated capital assets are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	10 to 40 years
Heavy equipment	25 years
Furnishings and other equipment	10 years
Automotive and computer equipment	5 years

(g) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(h) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College

Note 3 Change in Accounting Policy

Pension Obligation

The College has changed its method of accounting for its participation in the Local Authorities Pension Plan which is a multi-employer defined benefit pension plan. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 1999-2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2000-01 operating results or opening net assets.

Note 4 Cash

Cash includes deposits in the Consolidated Cash Investment Trust Fund in the amount of $1,431,297 and overdrafts in miscellaneous bank accounts of $117,447 (2000 $1,061,535 and overdrafts of $108,922). The fund is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. The College earns interest on its daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Note 5 Inventories

	2001	2000
Livestock	$ 212,620	$ 216,207
Bookstore	151,936	182,309
Farm	45,634	16,222
Resale trades	2,466	21,890
Others	112,454	25,878
	$ 525,110	$ 462,506

Note 6 Investments

	2001			2000	
	Effective Yield	Cost	Market Value	Cost	Market Value
Short-term					
Guaranteed Investment Certificates	4.45%	$ 2,832,661	$ 2,832,661	$ 2,728,337	$ 2,728,337
Fixed Income	5.90%	377,509	390,820	986,594	991,647
		3,210,170	3,223,481	3,714,931	3,719,984
Long-term					
Fixed Income	6.15%	4,452,988	4,819,680	5,024,455	5,027,714
Equity Linked Note - principal guaranteed		3,228,580	2,482,455	2,000,000	1,980,000
Cash held by Investment Manager		4,717	4,717	3,190	3,190
		7,686,285	7,306,852	7,027,645	7,010,904
		$ 10,896,455	$ 10,530,333	$ 10,742,576	$ 10,730,888

Within the investment portfolio, there are securities at costs which are in excess of market value. These securities have not been written down because management has concluded, based on careful review of market information for these securities, that the decline is temporary.

Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2001.

The College's investment objective is to enhance the value of pooled funds while maintaining a low level of risk and providing a dependable source of income to support College operations and objectives. The investment guidelines and procedures restrict the type and amount of investments that may be purchased or held.

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 1,016,200	$ -	$ 1,016,200	$ 1,056,870
Buildings and site improvements	52,487,053	36,570,739	15,916,314	16,516,324
Equipment, furnishings and vehicles	10,199,977	8,326,487	1,873,490	1,802,268
	$ 63,703,230	$ 44,897,226	$ 18,806,004	$ 19,375,462

(b) Purchase Option

As part of the transfer of certain capital assets to the College by the Province in 1978 the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital assets transferred to the College is $ 2,457,901 (2000 $2,605,551).

(c) Buildings and Site Improvements

In 1994, the College entered into an agreement with a third party which gives the College the right to use a portion of a certain building in perpetuity. In consideration, the College paid $300,000 which comprises a portion of the construction costs and agreed to pay an amount of $1 annually. This building is included in buildings and site improvements at a net book value of $233,782 (2000 $243,283).

Note 8 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2001	2000
Contributions during the year		
Grants	$1,492,118	$ 927,148
Donations	218,900	157,490
Investments earnings	102,117	230,747
	1,813,135	1,315,385
Transferred to revenue		
Grants	(1,454,493)	(1,069,688)
Donations	(158,409)	(68,809)
Investments earnings	(69,579)	(81,449)
	(1,682,481)	(1,219,946)
Transferred to endowments	(163,744)	(60,985)
Total transferred	(1,846,225)	(1,280,931)
(Decrease) increase during the year	(33,090)	34,454
Balance at beginning of year	769,947	735,493
Balance at end of year	$ 736,857	$ 769,947
The balance consists of funds restricted for		
Scholarships and bursaries	$ 495,797	$ 562,029
Other non-capital projects	241,060	207,918
	$ 736,857	$ 769,947

Note 9 Deferred Salary Plan

The deferred salary plan is funded solely by monthly contributions made by participating employees and interest earned on these contributions. Participants are entitled to benefits under the plans after active service with the College is terminated.

Note 10 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for equipment.

	2001	2000
Contributions during the year		
Grants	$ 370,261	$1,274,788
Gifts-in-kind donations	33,216	103,074
	403,477	1,377,862
Transferred to unamortized deferred capital contributions (Note 11)	(592,076)	(726,637)
(Decrease) increase during the year	(188,599)	651,225
Balance at beginning of year	1,388,161	736,936
Balance at end of year	$1,199,562	$1,388,161

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent externally restricted capital contributions which have been invested in amortizable capital assets. Changes in the unamortized deferred capital contributions balance are as follows:

	2001	2000
Balance at beginning of year	$ 13,131,902	$ 13,722,509
Add amount transferred from deferred contributions (Note 10)	592,076	726,637
Less amount amortized to revenue	(1,339,454)	(1,317,244)
Balance at end of year	$ 12,384,524	$ 13,131,902

Note 12 Net Assets Internally Restricted

Net assets restricted by the Board are held for the following purposes:

	2001	2000
Capital renovations and acquisitions	$ 2,528,261	$ 2,665,043
Enrolment and other initiatives	3,511,214	2,350,719
Ancillary operations	1,077,151	1,064,825
Scholarship and program specific	22,096	21,924
	$ 7,138,722	$ 6,102,511

These amounts are not available for other purposes without the approval of the Board of Governors.

Note 13 Commitments

Prior to June 30, 2001, the College entered into agreements for the construction of a building in St. Albert. This project commenced prior to year-end and the additional costs that will be incurred subsequent to the year end are estimated at $1,685,000.

In addition, future minimum annual lease payments under operating leases for the Marine facility in St. Albert are:

2001-02	$ 43,000
2002-03	49,000
2003-04	45,000

Note 14 Budget

On March 16, 2000, the Board of Governors approved the 2000-01 operating budget shown in the Consolidated Statement of Operations. That budget includes all of the revenue and expense of the College but only administrative expense of the Foundation. Therefore, the budget shown in the Consolidated Statement of Operations is not prepared on the same basis as the actual reported revenue and expense.

Note 15 Related Party

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of Order by the Lieutenant Governor in Council and the Minister of Learning. Transactions in the current period and balances at year-end between the College and the Province were as follows:

	2001	
	Grants Revenue	Deferred or Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 11,042,479	$ -
Performance funding	391,345	-
Access	308,363	23,466
Infrastructure renewal	281,626	440,385
Energy related support	244,184	-
Learning enhancement	31,396	-
Conditional	23,810	45,336
Miscellaneous	475,472	4,482
	12,798,675	513,669
Alberta Infrastructure		
Infrastructure renewal	89,642	45,192
	$ 12,888,317	$ 558,861

	2000	
	Grants Revenue	Deferred or Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 10,719,150	$ -
Access	270,334	417,763
Infrastructure renewal	197,316	856,987
Performance funding	107,629	-
Learning enhancement	14,144	196,923
Miscellaneous	587,894	747,969
	$ 11,896,467	$ 2,219,642

In addition to the above transactions, $1,187,987 (2000 $1,596,079) from Alberta Learning and $252,635 (2000 $Nil) from Alberta Infrastructure is included in Deferred Contributions.

Note 16 Investments Revenue

	2001	2000
Investments earnings		
Unrestricted	$ 293,335	$ 649,754
Internally restricted	157,552	333,468
Endowments	107,790	242,401
Total investments earnings for the period	558,677	1,225,623
Deduct amounts deferred	(38,211)	(160,952)
Investments earnings recognized as revenue	$ 520,466	$ 1,064,671

Note 17 Salaries and Benefits

	2001			2000
	Salaries(1)	Benefits and Allowances(2)	Total	Total
Board Members				
Chair	$ 2,822	$ 117	$ 2,939	$ 3,263
Other	17,387	571	17,958	18,239
President	108,425	12,176	120,601	119,013
Vice Presidents				
Academic (3)	42,355	3,826	46,181	111,551
Student and College Services (4)	89,745	13,956	103,701	94,036
Deans/Directors				
Dean, Trades Technologies	77,524	9,453	86,977	78,874
Dean, Business/Academic Studies (5)	46,812	6,241	53,053	76,560
Director, Financial Affairs (6)	6,502	212	6,714	73,448
Director, Physical Plant	69,577	8,680	78,257	70,996
Dean, Agricultural Technologies (7)	63,400	8,103	71,503	12,135

(1) Salaries include regular pay, retro pay, vacation payouts and board honoraria.

(2) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, life insurance, health care, dental coverage, extended health and certain professional development expenditures.

(3) The position of Vice President, Academic was occupied for six months. In 1999-2000 it was occupied by two individuals.

(4) During 1999-2000 the position of Vice President, Student and College Services was occupied by two individuals, one for one month and one for eleven months.

(5) The position of Dean, Business/Academic Studies was occupied by two individuals for a total of eight months.

(6) The position of Director, Financial Affairs was occupied for one month.

(7) The position of Dean, Agricultural Technologies was occupied for eleven months. During 1999-2000 it was vacant for eleven months.

Note 18 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions of $358,603 for the year ended June 30, 2001 (2000 $335,111).

At December 31, 2000, the Local Authorities Pension Plan reported a surplus of $884 million (1999 $880 million).

Note 19 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ (341,539)	$ 52,326
Inventories	(62,604)	(18,384)
Prepaid expenses	(111,963)	(24,835)
Accounts payable	(9,750)	(816,196)
Accrued vacation pay	24,155	(12,436)
Unearned revenue	(37,011)	(30,057)
Deferred contributions	(33,090)	34,454
	$ (571,802)	$ (815,128)

Note 20 Comparative Figures

Certain 2000 figures have been reclassified to conform to 2001 presentation.

Note 21 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Grande Prairie Regional College

I have audited the consolidated statement of financial position of Grande Prairie Regional College as at June 30, 2001 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 23, 2001

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	2001	2000
ASSETS		
Current		
Cash	$ 744,210	$ 473,485
Accounts receivable	940,840	917,443
Inventories (Note 4)	243,574	229,295
Prepaid expenses	7,373	28,269
	1,935,997	1,648,492
Long-term investments (Note 5)	6,058,309	5,740,456
Capital assets (Note 6)	35,552,905	35,890,251
	$43,547,211	$43,279,199
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 1,169,131	$ 663,098
Accrued vacation pay	1,151,811	1,054,501
Unearned revenue (Note 7)	87,031	155,222
Self-funded Leave Plan (Note 8)	-	15,125
Four-for-five Leave Plan (Note 8)	131,261	13,953
Deferred contributions (Note 9)	445,585	645,448
Obligation under capital lease (Note 10)	79,728	70,061
	3,064,547	2,617,408
Non-current		
Obligation under capital lease (Note 10)	553,185	632,913
Deferred contributions for capital purposes (Note 9)	249,920	560,917
Unamortized deferred capital contributions (Note 11)	32,720,778	33,151,920
	33,523,883	34,345,750
Net assets		
Endowments (Note 12)	2,544,579	2,282,500
Investment in capital assets	2,199,214	2,035,357
Internally restricted net assets (Note 13)	1,617,755	1,034,275
Unrestricted net assets	597,233	963,909
	6,958,781	6,316,041
	$43,547,211	$43,279,199

The accompanying notes are part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 15)	Actual	Actual
Revenue			
Grants (Note 16)	$ 14,136,457	$ 14,625,406	$ 14,160,389
Tuition and related fees	5,286,527	5,445,143	4,947,219
Sales, rentals and services (Note 17)	1,672,866	2,178,775	2,007,499
Contract programs	1,219,768	1,228,456	1,250,255
Donations and fund raising	1,093,000	756,569	718,152
Investments	261,500	407,730	339,845
Gain on disposal of capital assets	-	1,478	6,995
	23,670,118	24,643,557	23,430,354
Amortization of deferred capital contributions (Note 11)	1,660,000	1,553,974	1,441,468
	25,330,118	26,197,531	24,871,822
Expense (Note 18)			
Salaries and benefits (Note 19)	15,872,607	16,626,812	15,267,614
Supplies and services	5,547,776	5,466,563	5,370,714
Amortization of capital assets	2,120,000	2,083,362	2,157,042
Utilities	537,235	588,763	526,956
Cost of goods sold	617,000	747,764	656,485
Scholarships and bursaries	210,000	228,496	172,470
	24,904,618	25,741,760	24,151,281
Excess of revenue over expense	$ 425,500	$ 455,771	$ 720,541

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2001

	2001					2000
	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 455,771	$ 455,771	$ 720,541
External endowment contributions	186,969	-	-	-	186,969	59,577
Transfers						-
Acquisition of internally funded capital assets	-	639,441	-	(639,441)	-	-
Payment of capital lease principal	-	70,061	-	(70,061)	-	-
Disposal of capital assets, net book value	-	(16,257)	-	16,257	-	-
Amortization of internally funded capital assets	-	(529,388)	-	529,388	-	-
Internal endowments	75,110	-	-	(75,110)	-	-
Internal restrictions	-	-	583,480	(583,480)	-	-
Increase (decrease) in net assets	262,079	163,857	583,480	(366,676)	642,740	780,118
Net assets at beginning of year	2,282,500	2,035,357	1,034,275	963,909	6,316,041	5,535,923
Net assets at end of year	$ 2,544,579	$ 2,199,214	$ 1,617,755	$ 597,233	$ 6,958,781	$ 6,316,041

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2001

	2001	2000
Operating activities		
Excess of revenue over expense	$ 455,771	$ 720,541
Add (deduct) non-cash transactions		
Amortization of capital assets	2,083,362	2,157,042
Gain on disposal of capital assets	(1,478)	(6,995)
Amortization of deferred capital contributions	(1,553,974)	(1,441,468)
Amortization of investment discount	(13,381)	(43,349)
Change in pension obligation	-	(235,655)
	970,300	1,150,116
Changes in non-cash working capital (Note 22)	420,692	367,293
Cash generated from operating activities	1,390,992	1,517,409
Investing activities		
Proceeds on disposal of capital assets	17,735	8,881
Acquisition of capital assets	(1,762,273)	(1,139,183)
Purchase of investments	(11,836,952)	(6,701,904)
Disposal of investments	11,532,480	4,986,423
Cash applied to investing activities	(2,049,010)	(2,845,783)
Financing activities		
Payment of capital lease principal	(70,061)	(155,657)
Endowment contributions	186,969	59,577
Capital contributions (Note 9)	811,835	720,459
Cash generated from financing activities	928,743	624,379
Increase (decrease) in cash	270,725	(703,995)
Cash at beginning of year	473,485	1,177,480
Cash at end of year	$ 744,210	$ 473,485

GRANDE PRAIRIE REGIONAL COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Note 1 Authority and Purpose

Grande Prairie Regional College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and is exempt from the payment of income taxes under s.149 of the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Grande Prairie Regional College Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period.

Externally restricted non-capital contributions are recorded as deferred contributions and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and other student fees, contract programs, and sales, rentals and services are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Directors of the Foundation. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Long-term Investments

Investments are recorded at cost or amortized cost where applicable. Gains and losses on investments are recognized in the period of disposal or when there is a permanent impairment in the value of the investment.

(e) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Capital Assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	5 years

(f) Art Collection

The College holds a collection of approximately 2,600 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Collection artworks are not recognized as assets in the Consolidated Statement of Financial Position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(g) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(h) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Change in Accounting Policy

Pension Obligation

The College has changed its method of accounting for its participation in the Local Authorities Pension Plan which is a multi-employer defined benefit pension plan. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 1999-2000 fiscal year, this change in accounting policy did not result in any changes in the College's 2000-01 operating results or opening net assets amount.

Note 4 Inventories

	2001	2000
Bookstore	$ 228,155	$ 212,908
Duplicating services	7,047	9,781
Purchasing	4,114	4,978
Climbing Wall	4,258	-
Other	-	1,628
	$ 243,574	$ 229,295

Note 5 Long-term Investments

	2001		2000	
	Book Value	Market Value	Book Value	Market Value
Bonds and bank notes				
Government of Canada bonds	$ 1,286,942	$ 1,282,507	$ 1,389,308	$ 1,314,959
Provincial bonds	2,192,828	2,148,808	1,548,155	1,511,124
Canadian bank notes	1,751,063	1,784,260	2,802,993	2,820,872
Corporate bonds	223,625	216,484	-	-
	5,454,458	5,432,059	5,740,456	5,646,955
Equities	603,851	573,728	-	-
	$ 6,058,309	$ 6,005,787	$ 5,740,456	$ 5,646,955

Note 5 Long-term Investments (continued)

Investments by range of maturity date are as follows:

	2001		
	Book Value	Market Value	Effective Yield to Maturity
Maturity 1 - 5 years	$ 3,271,949	$ 3,309,063	5.60%
Maturity 6 - 10 years	2,182,509	2,122,996	6.10%
	$ 5,454,458	$ 5,432,059	5.80%

The market value may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and market values may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security. Effective yield represents the rate which discounts future cash receipts to the carrying value of the investments at June 30, 2001.

Where fair value is less than cost, in management's best judgment, and based on market trends, the fair value will likely recover over time.

Note 6 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 563,631	$ -	$ 563,631	$ 563,631
Buildings	47,723,732	16,068,125	31,655,607	32,281,940
Site improvements	1,279,036	1,087,725	191,311	224,251
Furnishings, equipment and vehicles	11,143,500	8,709,499	2,434,001	2,155,094
Library materials	1,465,339	765,169	700,170	653,058
Leasehold improvements	20,462	12,277	8,185	12,277
	$ 62,195,700	$ 26,642,795	$ 35,552,905	$ 35,890,251

Note 7 Unearned Revenue

	2001	2000
Tuition and other student fees	$ 83,991	$ 141,083
Contract programs	-	10,219
Other	3,040	3,920
	$ 87,031	$ 155,222

Note 8 Self-funded Leave Plan and Four-for-five Leave Plan

Self-funded Leave Plan

All employees of the College are eligible to contribute to a self-funded leave plan. Employees' contributions are held by the College and recorded as a liability until the leave period when they are paid to the employee as salary.

2001	2000
$ -	$ 15,125

Note 8 Self-funded Leave Plan and Four-for-five Leave Plan (continued)

Four-for-five Leave Plan

Employees of the College who are members of the Academic Staff Association or the Employees' Association are eligible to apply for a four-for-five leave plan. Employees' contributions are held by the College until the leave period when they are paid to the employee as salary with a matching amount from the College. Employees' contributions are held by the College and recorded as a liability. The College matching amount and interest earned on the employees' contributions are also recorded as a liability until paid to the employee.

	2001	2000
Employees contributions held by College	$ 64,423	$ 13,683
College matching contributions	64,423	-
Interest held on employee contributions	2,415	270
	$ 131,261	$ 13,953

Note 9 Deferred Contributions

Deferred contributions represent unspent funds externally restricted. Changes in the deferred contributions balances for non-capital and for capital purposes are as follows:

Deferred contributions - conditional grants, donations, and other

	2001	2000
Contributions received during the year	$ 3,244,729	$ 2,582,970
Transferred to revenue	(3,257,623)	(2,409,028)
Transferred to endowments	(186,969)	(59,577)
(Decrease) increase during the year	(199,863)	114,365
Balance at beginning of year	645,448	531,083
Balance at end of year	$ 445,585	$ 645,448

Deferred contributions - capital purposes

	2001	2000
Contributions received during year	$ 811,835	$ 720,459
Transferred to unamortized deferred capital contributions (Note 11)	(1,122,832)	(750,822)
Decrease during the year	(310,997)	(30,363)
Balance at beginning of year	560,917	591,280
Balance at end of year	$ 249,920	$ 560,917

Note 10 Obligations Under Capital Lease

The following is a schedule of future minimum annual lease payments:

2002	$ 127,516
2003	131,342
2004	135,282
2005	139,341
2006	143,521
Thereafter	122,391
Total minimum lease payments	799,393
Less amount representing interest	166,480
Capital lease obligations	632,913
Less current portion	79,728
Non-current portion	$ 553,185

The capital lease obligations are at 7.1% and expire on May 4, 2007.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contribution balance are as follows:

	2001	2000
Balance at beginning of year	$ 33,151,920	$ 33,842,566
Add amount transferred from deferred contributions (Note 9)	1,122,832	750,822
Less amount amortized to revenue	(1,553,974)	(1,441,468)
Balance at end of year	$ 32,720,778	$ 33,151,920

Note 12 Endowments

Endowments are comprised of donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes.

	Balance at Beginning of Year	Contributions and Transfers	Reinvested Earnings	Balance at End of Year
Externally Restricted				
Scholarships fund	$ 817,091	$ 186,696	$ 273	$ 1,004,060
S.J. Alward library fund	616,561	-	-	616,561
Projects fund	73,307	-	-	73,307
	1,506,959	186,696	273	1,693,928
Internally Restricted				
Scholarships fund	535,484	14,265	-	549,749
Athletic fund	240,057	60,845	-	300,902
	775,541	75,110	-	850,651
	$ 2,282,500	$ 261,806	$ 273	$ 2,544,579

Note 13 Internally Restricted Net Assets

The Management of the College with the approval of the Board of Governors has placed restrictions on the spending of a portion of the accumulated excess of revenue over expenditure for specific purposes as shown below.

The Management of the College may spend these internally restricted amounts for these purposes. They are not available for any other purposes without the approval of the Board.

	2001	2000
Capital		
Student residence	$ 541,275	$ 564,853
Duplicating services and equipment	200,000	200,000
Planned costs	106,887	-
Physical activity centre	95,103	61,533
Infrastructure renewal - equipment	-	117,205
	943,265	943,591
Non-capital		
Planned expenses - operating	456,594	-
Foundation - internally restricted	217,896	-
Board of Governors	-	77,000
Four-for-five Leave Plan	-	13,684
	674,490	90,684
	$ 1,617,755	$ 1,034,275

Note 14 Commitments - Professional Leave

Effective August 15, 1998, the College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 48 months of paid professional leave to members of the Academic Staff Association each contract period (August 15 to August 14). Members of the Administrative Group may request approval for paid professional leave.

At June 30, 2001, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	2001	2000
Academic Staff		
July 1, 2001 to August 14, 2001	$ 25,301	$ 30,257
August 15, 2001 to August 14, 2002	217,587	175,067
	$ 242,888	$ 205,324

Note 15 Budget

On March 28, 2000 the Board of Governors approved a revenue and expense budget for Grande Prairie Regional College for 2000-01. The budget approved provided an annual operating excess of revenue over expense of $400,000. The budget did not include amounts for the operations of the Grande Prairie Regional College Foundation. On December 12, 2000 the Board of Directors of the Foundation approved a revenue and expense budget for Grande Prairie Regional College Foundation for 2000-01. The budget provided an annual excess of revenue over expense of $25,500.

The two budgets have been consolidated and presented in the Consolidated Statement of Operations.

Note 16 Grants

	2001	2000
Province of Alberta		
Department of Learning		
Base	$ 13,365,932	$ 13,363,912
Conditional	1,034,210	658,545
Other	218,742	119,522
	14,618,884	14,141,979
Government of Canada	6,522	18,410
	$ 14,625,406	$ 14,160,389

Note 17 Sales, Rentals and Services

	2001		
	Revenue	Direct Expense	Net
Non-credit activity	$ 266,759	$ -	$ 266,759
Parking	123,974	2,449	121,525
Bookstore	983,930	906,226	77,704
Food services and vending	43,952	1,290	42,662
Physical activity centre	116,294	93,719	22,575
Climbing Wall	64,805	64,873	(68)
Research unit	10,337	12,292	(1,955)
Student residence	365,371	396,026	(30,655)
National volleyball event	39,706	71,172	(31,466)
Other	163,647	625	163,022
	$ 2,178,775	$ 1,548,672	$ 630,103

	2000		
	Revenue	Direct Expense	Net
Non-credit activity	$ 252,613	$ -	$ 252,613
Parking	117,626	6,120	111,506
Bookstore	901,118	805,010	96,108
Student residence	344,427	269,176	75,251
Food services and vending	38,342	747	37,595
Physical activity centre	106,465	84,564	21,901
Research unit	14,196	5,522	8,674
Climbing Wall	50,417	65,590	(15,173)
National volleyball event	31,528	63,435	(31,907)
Other	150,767	46	150,721
	$ 2,007,499	$ 1,300,210	$ 707,289

The National Volleyball Event received donations in 2000–01 and in 1999–2000 that are reported as donations on the Consolidated Statement of Operations and are not included in the amounts listed for Sales, Rentals, and Services.

2000–01 Donations for National Volleyball Event	$20,250
1999–2000 Donations for National Volleyball Event	$39,250

Note 18 Expense

Expense is summarized by function as follows:

	2001	2000
Direct instruction	$ 12,800,738	$ 11,920,834
Institutional support	5,763,171	5,486,513
Amortization of capital assets	2,083,362	2,157,042
Academic support	1,764,527	1,666,004
Student services	1,552,794	1,448,208
Ancillary services	1,548,672	1,300,210
Scholarships	228,496	172,470
	$ 25,741,760	$ 24,151,281

Direct instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide College-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic, administration, library and audio-visual services. Student services include all activities or services to the student body of the College.

Note 19 Salaries and Benefits

	2001			2000
	Salaries(1)	Benefits and Allowances (2), (3)	Total	Total
Chairman of the Board(4)	$ 7,428	$ 173	$ 7,601	$ 6,811
Board Members(5)	33,187	463	33,650	31,853
President	106,000	11,227	117,227	115,992
Vice Presidents				
Academic	96,417	12,967	109,384	101,765
College Services	93,283	12,762	106,045	99,157
College Services - acting	40,971	6,142	47,113	-
Executive Director				
Advancement	61,867	11,895	73,762	-
Directors				
Workforce Development	97,127	12,915	110,042	80,815
Communications Services and Technology	76,601	11,373	87,974	77,215
Human Resources	73,912	11,156	85,068	80,568
Financial Services	67,830	10,807	78,637	74,804
Campus Operations	39,944	5,689	45,633	80,665
Campus Operations - acting	31,955	5,003	36,958	-
Development	-	-	-	90,677
Public Relations and Communications	-	-	-	51,371
Registrar	73,516	11,227	84,743	78,800

(1) Salaries include regular base pay, vacation paid, honoraria and all other direct cash remuneration.

(2) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance.

(3) An automobile or automobile allowance is provided to the President, Vice-President – Academic and the Vice-President – College Services of the College and to the Executive Director – Advancement of the Foundation.

(4) The Chairman of the Board donated all remuneration (net of deductions) to the Grande Prairie Regional College Foundation in the amount of $6,233 (2000 $6,532).

(5) Five Board members donated a portion of their remuneration to the Grand Prairie Regional College Foundation in the amount of $4,625 (2000 – three Board members for $945).

Note 20 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions of $610,836 for the year ended June 30, 2001 (2000 $576,533).

At December 31, 2000 the Local Authorities Pension Plan reported a surplus of $884 million (1999 $880 million).

Note 21 Related Party

Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of an Order by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed in the College consolidated financial statements as follows:

	2001		
	Revenue	Capital Contributions	Deferred Contributions
Operations	$ 13,365,932	$ -	$ -
Performance	374,474	-	-
Access	303,591	79,122	48,747
Infrastructure renewal	208,947	553,057	166,946
Energy grant	72,174	-	-
Unfunded enrolment	28,000	-	-
Knowledge Network	26,585	14,463	-
Learning enhancement	18,883	45,786	26,158
Other	220,298	-	-
	$ 14,618,884	$ 692,428	$ 241,851

	2000		
	Revenue	Capital Contributions	Deferred Contributions
Operations	$ 13,154,893	$ -	$ -
Infrastructure renewal	371,560	91,020	602,892
Access	214,108	-	-
Performance	211,039	-	-
Learning enhancement	30,121	-	90,828
Institutional reporting	11,570	522,138	-
Knowledge Network	11,515	124,334	41,048
Alberta Opportunities Bursary	-	-	40,000
Other	137,173	-	18,267
	$ 14,141,979	$ 737,492	$ 793,035

Note 22 Changes in Non-cash Working Capital

	2001	2000
Accounts receivable	$ (23,397)	$ 238,783
Inventories	(14,279)	(63,164)
Prepaid expenses	20,896	11,217
Accounts payable	506,033	(329)
Accrued vacation pay	97,310	(29,223)
Unearned revenue	(68,191)	85,834
Self-funded Leave Plan	(15,125)	(4,143)
Four-for-five Leave Plan	117,308	13,953
Deferred contributions	(199,863)	114,365
	$ 420,692	$ 367,293

Note 23 Comparative Figures

Certain 2000 figures have been reclassified to conform to 2001 presentation.

Note 24 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Grant MacEwan College

I have audited the consolidated statement of financial position of Grant MacEwan College as at June 30, 2001 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Grant MacEwan College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 19, 2001

GRANT MACEWAN COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	2001	2000 (As restated - Note 17)
ASSETS		
Current:		
Cash and temporary investments (Note 4)	$ 9,891,257	$ 20,803,367
Accounts receivable	2,129,428	2,074,807
Inventories (Note 3)	1,231,330	1,287,421
Prepaid expenses	507,886	280,488
	13,759,901	24,446,083
Investments (Note 4)	28,682,341	20,061,021
Capital assets (Note 5)	140,040,172	133,396,104
	$ 182,482,414	$ 177,903,208
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 4,047,316	$ 6,792,213
Accrued vacation pay	3,386,378	2,936,815
Unearned revenue (Note 6)	2,935,032	2,892,046
Deferred contributions (Note 7)	4,020,595	4,625,470
Current portion of long term debt	119,643	112,606
	14,508,964	17,359,150
Deferred capital contributions (Note 7)	2,581,504	1,198,836
Unamortized external capital contributions (Note 8)	97,520,404	98,341,648
Long term debt (Note 9)	6,167,751	6,287,394
	120,778,623	123,187,028
Net Assets:		
Endowments (Note 10)	10,292,403	9,642,490
Investment in capital assets	36,232,374	32,070,508
Internally restricted net assets	894,614	802,234
Unrestricted	14,284,400	12,200,948
	61,703,791	54,716,180
	$ 182,482,414	$ 177,903,208

The accompanying notes and schedules are part of these financial statements.

GRANT MACEWAN COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
		(As restated - Note 17)
Revenue		
Grants (Note 11)	$ 36,651,933	$ 33,460,301
Tuition and related fees	30,028,517	26,195,913
Contract programs	3,179,350	3,915,774
Sales, rentals and services	12,112,932	11,061,447
Amortization of deferred capital contributions (Note 8)	4,348,228	3,839,451
Investment earnings (Note 12)	3,326,187	2,807,382
Donations	1,013,190	755,914
	90,660,337	82,036,182
Expense		
Salaries and benefits (Note 14)	53,638,247	48,529,807
Supplies and services	16,925,600	16,619,441
Amortization of capital assets	6,490,280	5,675,915
Cost of goods sold	4,733,230	4,090,694
Utilities	1,984,192	1,828,649
Scholarships and bursaries	491,806	495,862
	84,263,355	77,240,368
Excess of revenue over expense	$ 6,396,982	$ 4,795,814

GRANT MACEWAN COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Endowments (Note 10)	Investments in Capital Assets	Internally Restricted	Unrestricted	Total	Total (As restated - Note 17)
Excess of revenue over expense	$ -	$ -	$ -	$ 6,396,982	$ 6,396,982	$ 4,795,814
Endowment contributions	590,629	-	-	-	590,629	344,963
Transfers for:						
Acquisition of internally funded capital assets	-	6,227,948	-	(6,227,948)	-	-
Repayment of debt related to capital assets	-	112,606	-	(112,606)	-	
Amortization of internally funded capital assets	-	(2,142,052)	-	2,142,052	-	-
Disposal of internally funded assets	-	(36,636)	-	36,636	-	-
Net appropriations to restricted funds	59,284	-	92,380	(151,664)	-	-
Increase in net assets	649,913	4,161,866	92,380	2,083,452	6,987,611	5,140,777
Net assets at beginning of year	9,642,490	32,070,508	802,234	12,200,948	54,716,180	49,575,403
Net assets at end of year	$ 10,292,403	$ 36,232,374	$ 894,614	$ 14,284,400	$ 61,703,791	$ 54,716,180

GRANT MACEWAN COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (As restated - Note 17)
Operating activities:		
Excess of revenue over expense	$ 6,396,982	$ 4,795,814
Non-cash transactions:		
Amortization of capital assets	6,490,280	5,675,915
Loss on disposal of capital assets	28,453	202,994
Change in pension obligation	-	(419,000)
Amortization of deferred capital contributions	(4,348,228)	(3,839,451)
	8,567,487	6,416,272
Change in non-cash working capital (Note 13)	(3,083,151)	3,773,921
Cash generated from operating activities	5,484,336	10,190,193
Investing activities:		
Acquisition of capital assets:		
Internally funded	(6,227,948)	(3,490,708)
Externally funded	(3,614,642)	(1,760,583)
Debt funded	(3,416,050)	(2,983,950)
Proceeds on disposal of capital assets	8,181	15,140
Net increase in investments	(8,621,320)	(2,715,104)
Cash applied to investing activities	(21,871,779)	(10,935,205)
Financing activities:		
Endowment contributions	590,629	344,963
Capital asset contributions (Note 8)	3,614,642	1,760,583
Deferred capital contributions	1,382,668	272,835
Proceeds/(repayment) of long-term debt	(112,606)	6,400,000
Cash generated from financing activities	5,475,333	8,778,381
Increase in cash and temporary investments	(10,912,110)	8,033,369
Cash and temporary investments, beginning of year	20,803,367	12,769,998
Cash and temporary investments, end of year	$ 9,891,257	$ 20,803,367

Note 1 Authority and Purpose

Grant MacEwan College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College offers diploma and certificate programs in arts and science, business, health and community studies, and performing, visual and communication arts. The College also offers first and second year university transfer programs in arts and science, physical education, nursing, engineering and commerce. Through its outreach activities, the College offers credit and non-credit courses in these programs on an outreach basis within greater Edmonton, and on brokerage and outreach basis to other areas of the Province and beyond.

The college is exempt under Section 149 of the Income Tax Act from payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Grant MacEwan College Foundation, which operates under part 9 of the Companies Act of Alberta for the support and advancement of the College. The Foundation is a registered charity and exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the conditions of the grant are met. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land and art collections, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Note 2 Significant Accounting Policies and Reporting Practices (Continued)

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding. Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions are recognized as revenue when realized. Investment earnings on externally restricted endowments are recognized when the related expenditures have been incurred.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains and losses on investments are recognized upon liquidation, or when there is permanent impairment in the value of an investment.

(d) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets, which are recorded at fair market value. Land and art collections are not amortized.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	10 to 40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years

(e) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(f) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan which is a multiemployer defined benefit plan. The College records an expense for pension benefits equivalent to the annual contributions payable during the year. Accounting treatment for multiemployer pension plans is the same as for defined contribution plans and, therefore, no plan deficits or surplus' are recorded in the College accounts.

Note 3 Inventories

	2001	2000
Bookstores	$ 1,188,359	$ 1,189,830
Other inventories	42,971	97,591
	$ 1,231,330	$ 1,287,421

Note 4 Investments

(a) Temporary Investments

Temporary investments consist of investments in Bankers' Acceptance and Bearer Deposit Notes which are managed by the College. Temporary investments are recorded at cost plus accrued interest which approximates their fair market value.

(b) Long-Term Investments

Term to maturity of the flex annuity is based upon the contractual maturity of the security. Effective yield represents the rate which discounts future cash receipts to the carrying value at June 30, 2001.

	2001				2000
	Effective Yield	Weighted Average Years to Maturity	Market Value	Cost	Cost
Pooled Funds					
Common stocks and equivalents			$ 17,836,132	$ 21,987,164	$ 13,722,380
Fixed income securities			5,911,152	5,947,774	5,635,019
Cash and equivalents			37,199	37,199	17,417
Flexannuity investment with Canada Life Assurance	10.06%	8.3 years	220,188	220,188	200,241
Cash surrender value of planned gifts (life insurance policies)			466,341	466,341	463,477
Other			23,675	23,675	22,487
			$ 24,494,687	$ 28,682,341	$ 20,061,021

In Management's best judgment, based on market trends and stocks of companies held within pooled funds, the fair market value of investments will recover over time. Accordingly, investments are recorded at cost.

Note 5 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 19,649,957		$ 19,649,957	$ 19,649,957
Buildings and site improvements	143,435,312	(35,384,311)	108,051,001	100,503,842
Furniture, equipment and vehicles	12,660,240	(7,459,790)	5,200,450	4,796,907
Library materials	6,073,007	(4,243,836)	1,829,171	1,598,960
Computers and telecommunications equipment	16,750,540	(11,652,439)	5,098,101	3,614,271
Art collection	211,492	-	211,492	211,492
Work In Progress - Parkade	-	-	-	3,020,675
	$ 198,780,548	$ (58,740,376)	$ 140,040,172	$ 133,396,104

Note 6 Unearned Revenue

	2001	2000
Contract programs	$ 936,791	$ 1,169,403
Tuition fees	1,315,765	866,127
Program deposits	453,412	629,038
Ancillary services - MacEwan Centre for Sport & Wellness	229,064	227,478
	$ 2,935,032	$ 2,892,046

Note 7 Deferred Contributions

	2001				2000
	Capital projects	Scholarships and bursaries	Non-capital projects	Total	Total (As restated - Note 17)
Contributions received and receivable:					
Grants - Province of Alberta	$ 5,304,950	-	$ 34,080,717	$ 39,385,667	$ 35,314,183
Grants - Other	-	-	841,226	841,226	240,772
Donations	647,011	819,995	-	1,467,006	603,045
Investment Earnings	-	1,306,687	-	1,306,687	1,587,398
	5,951,961	2,126,682	34,921,943	43,000,586	37,745,398
Transferred to revenue:					
Grants:					
Grants - Province of Alberta	-	-	(35,810,708)	(35,810,708)	(33,219,529)
Grants - Other	-	-	(841,226)	(841,226)	(240,772)
Donations	-	(1,012,954)	-	(1,012,954)	(755,914)
Investment Earnings	-	(792,811)	-	(792,811)	(697,852)
	-	(1,805,765)	(36,651,934)	(38,457,699)	(34,914,067)
Transferred (to)/from:					
Unamortized deferred capital contributions (Note 8)	(3,614,642)	-	-	(3,614,642)	(1,760,583)
Non-capital infrastructure projects	(954,651)	-	954,651	-	-
Scholarships and bursaries	-	109,200	(109,200)	-	
Endowments	-	-	(150,452)	(150,452)	
	(4,569,293)	109,200	694,999	(3,765,094)	(1,760,583)
Increase (decrease) during the year	1,382,668	430,117	(1,034,992)	777,793	1,070,748
Deferred contributions, beginning of year	1,198,836	2,556,583	2,068,887	5,824,306	4,753,558
Deferred contributions, end of year	$ 2,581,504	$ 2,986,700	$ 1,033,895	$ 6,602,099	$ 5,824,306

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

Note 8 Unamortized Deferred Capital Contributions

	2001	2000
Balance at beginning of year	$ 98,341,648	$ 100,469,251
Transferred from deferred contributions (Note 7)	3,614,642	1,760,583
Less amount amortized to revenue	(4,348,228)	(3,839,451)
Disposals	(87,658)	(48,735)
Balance at end of year	$ 97,520,404	$ 98,341,648

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

Note 9 Long-term Debt

The College issued a debenture of $6,400,000 at the rate of 6.25% per annum to Alberta Municipal Financing Corporation on April 3, 2000 to finance the construction of a stand-alone parking facility at the City Centre Campus. The debenture matures on April 3, 2025. The debenture is secured by the future revenues of the parkade.

Repayment of the principal and interest is funded by revenues generated from the parkade. The repayment schedule for the next five fiscal years will be as follows:

2002	$ 512,606
2003	512,606
2004	512,606
2005	512,606
2006	512,606
Total:	$2,563,030

Note 10 Endowments

	2001	2000
Endowments consist of funds held to provide scholarships and support College programs:		
Externally funded	$ 9,541,257	$ 8,950,628
Internally funded	751,146	691,862
	$ 10,292,403	$ 9,642,490

Note 11 Grants

	2001	2000
Province of Alberta, Department of Learning:		
Base operating grant	$ 29,310,344	$ 27,816,965
Conditional funding	6,500,363	5,402,564
	35,810,707	33,219,529
Conditional Government of Canada funding	841,226	240,772
	$ 36,651,933	$ 33,460,301

Note 12 Investment Earnings

	2001	2000
Investment Earnings:		
Unrestricted sources	$ 2,533,376	$ 2,109,530
Resources held for endowments	1,306,687	1,587,398
Total investment earnings for the period	3,840,063	3,696,928
Amounts transferred from (to) deferred contributions	(513,876)	(889,546)
	$ 3,326,187	$ 2,807,382

Note 13 Changes in Non-cash Working Capital

	2001	2000
Accounts receivable	$ (54,621)	$ 1,342,304
Inventories	56,091	(213,231)
Prepaid expenses	(227,398)	(81,802)
Accounts payable and accrued liabilities	(2,744,897)	1,850,306
Accrued vacation pay	449,563	398,077
Unearned revenue	42,986	(319,646)
Deferred contributions	(604,875)	797,913
	$ (3,083,151)	$ 3,773,921

Note 14 Salary Disclosure

	2001			2000
	Salary (a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 6,270		$ 6,270	$ 6,270
Board Members	30,600	44	30,644	29,439
President	160,468	21,035	181,503	176,528
Executive/Vice Presidents				
Vice President Operations	119,974	21,466	141,440	122,774
Vice President Academic	114,230	19,681	133,911	117,454
Executive Director, College Advancement	99,867	17,097	116,964	118,686
Director, Human Resources	82,548	12,288	94,836	48,859
Director, Student Services	86,499	12,482	98,981	94,018
Director, Strategic Planning	73,348	11,019	84,367	78,950

(a) Includes regular base pay plus overtime, lump sum payments, honoraria, sabbatical payments and any other direct cash remuneration.

(b) Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, out-of-country medical benefits, accidental disability and dismemberment insurance, long and short-term disability insurance, supplementary superannuating contributions, earned vacation leave and vehicle allowances.

The College contributed $1,355,704 (2000: $1,161,375)to the Local Authorities' Pension Plan on behalf of employees. This amount has been recognized as a benefit expense in the College accounts in the year the contributions were made.

Note 15 Related Party Transactions

The College is a Provincial Corporation as all of the members of the Board of Governors are appointed either by the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

During 2001, the College provided courses to provincial government departments and participated in offering certain courses with other post-secondary institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. Transactions with the Province of Alberta are disclosed in Note 11 to these financial statements.

At June 30, 2001 the College had unspent funds of $2,968,388 which were received from the Province of Alberta for capital and non-capital projects. These amounts are classified as deferred contributions and are required to be spent on capital and non-capital projects as agreed upon between the College and the Province.

At June 30, 2001 the accounts receivable balance included an amount of $286,113 owing from the Province of Alberta for projects completed.

Note 16 Budget

The Board of Governors approved the following budget relating to the College's operating revenue and expenses for the fiscal period ending June 30, 2001 on April 19, 2000:

Revenue	
Grants	$ 33,698,393
Tuition and related fees	24,282,519
Contract programs	3,565,476
Sales, rentals and services	10,516,778
Amortization of deferred capital contributions	4,000,000
Investment earnings	755,000
Donations	750,000
	77,568,166
Expense	
Salaries and benefits	48,470,531
Supplies and services	14,643,778
Amortization of capital assets	5,700,000
Cost of goods sold	4,666,062
Utilities	1,851,704
Scholarships and bursaries	190,308
	75,522,383
	$ 2,045,783

Note 17 Prior Period Adjustment

In prior years, a portion of grant monies received for certain conditionally funded programs was not recorded as revenue in the period in which the conditions of the grants were met. This correction has been applied retroactively with restatement of prior years' amounts. The effect of this adjustment on the 2000 financial statements was unrestricted net assets at beginning of year increased by $1,591,534, grant revenue from the Province of Alberta decreased by $428,634 and unrestricted net assets at end of year increased by $1,162,900.

Note 18 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College no longer records the College's portion of the pension plan's deficit or surplus. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of the pre-1992 service for the plan that occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 19 Commitments

The College is committed to several operating lease contracts. The minimum operating lease payments required for the next five years are as follows:

2002	$129,529
2003	$129,529
2004	$129,529
2005	$129,529
2006	$ 43,051

The Board of Governors of the College has approved capital projects to renovate and expand the Millwoods campus. The maximum expenditures approved are $7,000,000 for renovations and $3,000,000 for building expansion.

Note 20 Approval of Financial Statements

These financial statements were approved by the Board of Governors on October 25, 2001.

KEYANO COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Revenue and Expense

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Keyano College

I have audited the statement of financial position of Keyano College as at June 30, 2001 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 19, 2001

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash	$ 2,504,094	$ 164,961
Short-term investments (Note 4)	3,370,346	322,166
Accounts receivable	1,137,981	1,033,554
Inventories (Note 5)	233,670	201,952
Prepaid expenses	114,895	62,440
	7,360,986	1,785,073
Long-term investments (Note 4)	12,843,806	7,116,811
Capital assets (Note 6)	52,385,853	50,271,176
	$ 72,590,645	$ 59,173,060
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,560,560	$ 955,789
Accrued vacation pay	1,523,665	1,356,145
Unearned revenue (Note 7)	454,864	365,109
Long term debt due within one year	142,293	45,785
Deferred contributions (Note 8)	2,584,982	1,805,208
	7,266,364	4,528,036
Long-term:		
Deferred contributions for capital purposes (Note 9)	5,000,000	-
Long term debt (Note 10)	5,502,276	103,517
Unamortized deferred capital contributions (Note 12)	26,523,154	28,726,611
	37,025,430	28,830,128
Net assets:		
Endowments (Note 13)	1,047,527	844,419
Investment in capital assets (Note 15)	23,010,550	21,395,263
Unrestricted net assets	4,240,774	3,575,214
	28,298,851	25,814,896
Commitments (Note 20)	$ 72,590,645	$ 59,173,060

The accompanying notes are part of these financial statements.

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Revenue:		
Grants (Note 21)	$ 18,853,471	$ 17,912,835
Sales, rentals and services	3,872,672	3,545,866
Tuition	3,444,940	3,500,777
Education contracts	699,089	689,295
Investment income (Note 4)	378,432	350,908
Donations	532,524	563,610
Gain on disposal of capital assets	145,178	-
Amortization of deferred capital contributions (Note 12)	2,485,012	2,367,239
	30,411,318	28,930,530
Expense (Note 16):		
Instruction	11,952,387	11,093,520
Institutional support	7,149,032	6,930,774
Academic support	1,991,826	2,013,863
Student services	1,646,952	1,422,467
Computing services	538,684	489,119
Ancillary operations (Note 17)	2,090,716	1,998,810
Amortization	2,760,874	2,559,689
Loss on disposal of capital assets	-	283,924
	28,130,471	26,792,166
Excess of revenue over expense	$ 2,280,847	$ 2,138,364

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	2001				2000
	Endowments (Note 13)	Investment in Capital Assets (Note 15)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 844,419	$ 21,395,263	$ 3,575,214	$ 25,814,896	$ 23,605,889
Excess of revenue over expense	-	-	2,280,847	2,280,847	2,138,364
Endowments received	203,108	-	-	203,108	70,643
Capital assets acquired from internal funds	-	2,138,832	(2,138,832)	-	-
Amortization of internally funded capital assets	-	(453,184)	453,184	-	-
Net book value of disposals	-	(119,847)	119,847	-	-
Principal repayment of long term debt		49,486	(49,486)		
	$ 1,047,527	$ 23,010,550	$ 4,240,774	$ 28,298,851	$ 25,814,896

KEYANO COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Cash provided from operating activities:		
Excess of revenue over expense	$ 2,280,847	$ 2,138,364
Non-cash transactions:		
Amortization of capital assets: internally funded	453,184	345,976
Amortization of capital assets: externally funded	2,307,690	2,213,713
Amortization of deferred capital contributions	(2,485,012)	(2,367,239)
Loss (gain) on disposal of capital assets	(145,178)	283,924
Change in pension obligation	-	(262,128)
	2,411,531	2,352,610
Changes in non-cash working capital related to operations (Note 19)	(1,691,384)	1,740,613
Cash generated from operating activities	720,147	4,093,223
Cash provided from (used in) investing activities:		
Purchase of capital assets:		
Internally funded	(2,138,832)	(1,590,914)
Externally funded through contributions and debt	(3,033,889)	(451,051)
Proceeds on disposals of capital assets	442,348	53,840
Purchase of long term investments net	(5,726,995)	(2,626,277)
Changes in non-cash working capital related to investing activities	1,096,424	-
Cash used in investing activities	(9,360,944)	(4,614,402)
Cash provided from financing activities:		
Capital contributions received	5,281,555	253,733
Endowment contributions	203,108	70,643
Long term debt (net)	5,495,267	149,302
Cash generated from financing activities	10,979,930	473,678
Increase (decrease) in cash	2,339,133	(47,501)
Cash at beginning of year	164,961	212,462
Cash at end of year	$ 2,504,094	$ 164,961

KEYANO COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Note 1 Authority and Purpose

Keyano College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Investment income earned on external endowments is recorded as a direct increase in net assets where the donor has stipulated that the economic value of endowments must be protected.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(c) Investments

Investments are recorded at cost. Gains or losses on investments are recognized at liquidation or when there is permanent impairment in the value of an investment.

(d) Capital Assets

Capital assets acquisitions are recorded at cost except for donated assets which are recorded at fair market value at the time of receipt. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Buildings and renovations	40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual equipment	10
Computer hardware and software	5-10

(e) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus is not recorded by the College.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Expenses

Instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries.

(g) Translation of foreign currencies

Monetary assets are translated into Canadian dollars at the rate of exchange at Statement of Financial Position date. Non monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

Note 3 Change in accounting policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan, which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 4 Investments

	2001				2000
	Short Term Investments	Long term Investments	Total Cost	Market Value	Total Cost
Money market investments	$ 3,370,346	$ 3,888,844	$ 7,259,190	$ 7,273,228	$ 322,166
Bonds	-	5,516,655	5,516,655	5,439,837	4,324,587
Equities	-	3,438,307	3,438,307	3,770,025	2,792,224
	$ 3,370,346	$ 12,843,806	$ 16,214,152	$ 16,483,090	$ 7,438,977

Where market value is less than cost, in management's best judgment, and based on market trends, the market value will likely recover over time.

Restricted:	
For capital purposes	$ 3,888,844
For endowments	1,047,527
Total restricted investments	$ 4,936,371

The Board of Governors has approved an investment strategy creating two portfolios for investments. The first portfolio encompasses operating funds designated for expenditures within one year. The primary objective of the short-term portfolio is liquidity with security of capital. Risk levels will be kept low and securities will be liquid.

The second portfolio is designated for long-term working capital and restricted funds. The objective of the long-term portfolio is preservation of capital and generation of a competitive total return.

The portfolios are restricted as follows:

a) Quality constraint of "R1" or "A1" or higher for Money Market securities.
b) All Corporate and Provincial bonds will be rated "A low" or higher at the time of purchase.
c) No single position, other than Government of Canada or Province of Alberta credits, at more than 10% of the portfolio.
d) The fixed income category of the portfolio shall be a minimum of 30% and a maximum of 70% of the portfolio.
e) The equity category of the portfolio shall be a minimum of 20% and a maximum of 50% of the portfolio.
f) No more than a maximum of 5% of the equity component will be invested in any one equity issue.

Note 4 Investments (continued)

The effective yield on the bond investment is 6.3 %. The bond investments mature as follows:

	1-5 years	6-10 years	over 10 years	Total
Bonds	$ 2,317,152	$ 3,009,803	$ 189,700	$ 5,516,655

Investment Income	2001	2000
Interest earned on investments	$ 201,315	$ 247,875
Interest earned on operating funds	221,596	154,425
Total interest earned	422,911	402,300
Transferred to deferred contributions	(44,479)	(51,392)
	$ 378,432	$ 350,908

Note 5 Inventories

	2001	2000
Bookstore	$ 195,337	$ 164,006
Maintenance contracts	38,333	37,946
	$ 233,670	$ 201,952

Note 6 Capital Assets

Capital assets are summarized as follows:

	2001			2000
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 11,679,586	$ -	$ 11,679,586	$ 11,679,586
Buildings and renovations	60,547,959	27,358,202	33,189,757	31,785,016
Furnishings and equipment	6,180,641	3,145,437	3,035,204	2,587,687
Automotive and heavy equipment	6,126,858	3,579,803	2,547,055	2,623,955
Library materials	1,768,487	1,471,233	297,254	299,293
Audio-visual equipment	563,353	374,211	189,142	223,977
Computer hardware and software	3,283,761	1,835,906	1,447,855	1,071,662
	$ 90,150,645	$ 37,764,792	$ 52,385,853	$ 50,271,176

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984, at value of $47,534,300, for the nominal amount of $1 per purchase. Capital acquisitions during the year include certain donations in kind with fair market value of $36,352 (2000 $110,457).

Buildings and renovations include the student residence (under construction) with a net book value of $2,707,580. No amortization has been taken on the student residence.

Note 7 Unearned Revenue

	2001	2000
Tuition fees	$ 243,630	$ 124,905
Prepaid rent	-	1,300
Contract programs	211,234	238,904
	$ 454,864	$ 365,109

Note 8 **Deferred Contributions**

Deferred contributions represent unspent amounts externally restricted for non-capital purposes.

	2001	2000
Contributions:		
Grants	$ 3,490,635	$ 3,077,231
Donations	289,686	207,453
Investment income	44,479	51,392
	3,824,800	3,336,076
Transferred to revenue:		
Grants	(2,672,486)	(2,502,696)
Donations and investment income	(169,432)	(143,317)
	(2,841,918)	(2,646,013)
Transferred to endowments	(203,108)	(70,643)
Increase during the year	779,774	619,420
Balance at beginning of year	1,805,208	1,185,788
Balance at end of year	$ 2,584,982	$ 1,805,208
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 235,104	$ 273,478
Non-capital projects	1,161,210	202,593
	1,396,314	476,071
Deferred contributions for maintenance	1,188,668	1,329,137
	$ 2,584,982	$ 1,805,208

Note 9 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for the Industry Technology Center building.

	2001	2000
Contributions:		
Grants	$ 5,000,000	$ -
Donations	281,555	253,733
	5,281,555	253,733
Transferred to unamortized deferred capital contributions (Note 12)	(281,555)	(253,733)
Increase during the year and balance end of year	$ 5,000,000	$ -

Note 10 Long Term Debt

	2001	2000
Alberta Municipal Financing Corporation Debenture, interest at 6.5% per annum. Repayment is 25 consecutive annual instalments of $450,898, principal and interest combined. Maturity June 15, 2026	$ 5,500,000	$ -
Obligations under Capital Lease Interest at varying rates of 2.5% to 10.3%. Payments of $24,590 annually principal and interest combined. Maturity August 2001 to March 2006	144,569	149,302
	5,644,569	149,302
Current portion	142,293	45,785
	$ 5,502,276	$ 103,517

Repayment of principal in each of the next five fiscal years will be as follows:

2002	$ 142,293
2003	148,993
2004	137,035
2005	122,464
2006	125,559
2007 to maturity	4,968,225
	$ 5,644,569

All acquired intangibles, accounts, monies, accounts receivables, instruments, claims or rights, choices in action and insurance proceeds derived directly or indirectly from the operations of the student residence have been pledged as security on the student residence (under construction).

Note 11 Funds Held on Behalf of Others

The College has $600,843 (2000 $132,929) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

	2001	2000
Balance at beginning of year	$ 28,726,611	$ 30,840,117
Add amount transferred from deferred capital contributions (Note 9)	281,555	253,733
Less amount amortized to revenue	(2,485,012)	(2,367,239)
Balance at end of year	$ 26,523,154	$ 28,726,611

Note 13 Endowments

Endowments are comprised of externally restricted amounts which are required to be maintained intact.

Note 14 Planned Expenditures

The Board of Governors has approved the following planned expenditures as future funds become available. These amounts are not available for other purposes without the approval of the Board.

	2001	2000
Professional development		
Excluded staff	$ 68,976	$ 76,900
Support staff	46,700	49,721
Faculty	78,565	66,878
Employee safety	4,941	5,449
Employee assistance program	12,360	12,360
Industry Education Centre	300,229	247,804
Research and development	21,105	21,105
Computer equipment	275,000	150,000
Aboriginal Entrepreneurship	8,974	9,007
Program development	258,856	150,000
Musical instruments	38,418	27,917
Trades program	100,709	49,468
Family welfare worker program	70,639	70,639
Innovative instruction	2,964	2,964
Native education training	20,140	20,140
Environmental worker diploma	20,842	30,000
Academic development	56,410	59,651
Community and upgrading education development	47,396	38,596
Student housing	644,664	530,443
Bookstore	98,640	83,990
Computer training	6,406	6,406
Parking	199,956	123,104
Theatre operating	98,910	16,790
Equipment replacement	733,769	1,026,992
Site and renovations	882,310	800,392
Food services centre equipment	15,955	3,329
Theatre capital	27,192	40,280
Capital Campaign Planning	387,109	95,177
Lecture series	541	-
Shift worker initiative	38,924	-
	$ 4,567,600	$ 3,815,502

Note 15 Net Assets Invested in Capital Assets

		2001	2000
Capital assets		$ 52,385,853	$ 50,271,176
Less	Debt	(2,852,149)	(149,302)
	Unamortized deferred capital contributions	(26,523,154)	(28,726,611)
Balance at end of year		$ 23,010,550	$ 21,395,263

Note 16 Supplementary Expense Information

Expense is summarized by object as follows:

	2001	2000
Salaries and benefits	$ 18,141,561	$ 17,158,762
Supplies and services	5,425,695	5,075,850
Scholarship and awards	169,431	143,812
Utilities	1,153,281	1,108,221
Cost of goods sold	479,629	461,908
Amortization of capital assets	2,760,874	2,559,689
Loss on disposal	-	283,924
	$ 28,130,471	$ 26,792,166

Note 17 Ancillary Services

The College's ancillary services revenue included in sales, rentals and services and ancillary services direct expense are summarized as follows:

	2001	2000
Revenue:		
Student residence	$ 947,616	$ 855,386
Food services contract	32,626	36,282
Bookstore	501,298	506,004
Theatre	438,470	346,481
Parking	136,545	115,320
	$ 2,056,555	$ 1,859,473
Expense:		
Student residence	$ 842,060	$ 828,347
Food services contract	2,353	-
Bookstore	495,905	494,957
Theatre	695,252	621,503
Parking	55,146	54,003
	$ 2,090,716	$ 1,998,810

Note 18 Salaries and Benefits

	2001			2000
	Salary (Note 1)	Benefits and Allowances (Note 2)	Total	Total
Board Chairman	$ 4.510	$ 316	$ 4.826	$ 4.807
Board members	24.361	1.697	26.058	24.062
President (Note 3)	132.173	10.891	143.064	131.626
Vice President - Instruction (Note 3)	94.188	10.670	104.858	101.154
Vice President - Student and College Services (Note 3)	94.188	10.670	104.858	101.555
Dean, Academic and Career Programs	86.689	9.822	96.511	92.916
Dean, Community Upgrading and Education	81.889	8.299	90.188	87.486

Notes:

1) Salary includes regular base pay, merit awards, performance bonus, overtime, vacation payouts, honoraria, and any other direct cash remuneration.

2) Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance and long and short-term disability plans.

3) Automobile provided, no dollar amount included in benefits and allowances figures.

Note 19 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ (104,427)	$ 133,950
Inventories	(31,718)	(3,764)
Prepaid expenses	(52,455)	30,832
Short term investments	(3,048,180)	814,016
Accounts payable and accrued liabilities	508,347	(131,354)
Accrued vacation pay	167,520	220,193
Unearned revenue	89,755	57,320
Deferred contributions	779,774	619,420
	$ (1,691,384)	$ 1,740,613

Note 20 Commitments and Capital Projects in Progress

The College has contracted three capital projects, which are still in progress at June 30, 2001. The total amount of the contracts is $6,865,039. Of this amount $2,847,260 has been recorded in these financial statements. The College has a commitment of $4,017,779 for the completion of the capital projects. These funds will be provided from deferred capital allocations and operating surplus.

Future minimum annual lease payments under operating leases are:

2002	$ 7,533

Note 21 Related Party Transactions

(a) Related Party Transactions – Keyano College Foundation ("the Foundation")

The Keyano College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Keyano College.

The Foundation financial statements (which are prepared using the Restricted Fund method of revenue recognition) are not consolidated in the College's financial statements. The financial summaries of the unconsolidated entity as at June 30, 2001 and 2000 are as follows:

Note 21 Related Party Transactions (continued)

Financial Position	2001	2000
Total assets	$ 545,018	$ 219,488
Total liabilities	$ 59,976	$ 32,862
Net Assets	$ 485,042	$ 186,626

Results of Operating Activities and change in Operating Net Assets	2001	2000
Revenue	$ 132,897	$ 130,946
Expense	(427,949)	(211,735)
Net operating deficit for the year	(295,052)	(80,789)
Net assets, beginning of year	-	-
Transfer from events and gaming	295,052	80,789
Net assets, end of year	$ -	$ -

Results of Fund Raising Activities and change in Restricted Fund Net Assets	2001	2000
Revenue	$ 1,809,674	$ 1,098,954
Expense	(136,099)	(146,888)
Net fundraising for the year	1,673,575	952,066
Contribution to Keyano College	(1,080,107)	(902,028)
Excess of revenue over expense	593,468	50,038
Net assets beginning of year	186,626	217,377
Transfer to General operations	(295,052)	(80,789)
Net assets end of year	$ 485,042	$ 186,626

Note 21 Related Party Transactions (continued)

The College contributed $105,903 (2000 $105,903) toward salaries and benefits of Foundation staff. In addition, the College provided certain administrative services and accommodations at no cost to the Foundation.

The Foundation does not hold investments and capital assets. At June 30, 2001, the Foundation had net assets of $485,042 available for transfer to the College.

b) The College is a Provincial corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

c) Transactions between the College and Province and other related parties are disclosed in the Statement of Revenue and Expense and/or are recorded in the following balances as at June 30, 2001:

	Revenue	Deferred Contributions	Unamortized Deferred Capital Contributions
Operating Grant	$ 15,479,426	$ -	$ -
Performance Funding	581,559	-	-
Learning Enhancement Envelope	-	-	-
Other Grants	2,778,840	7,349,878	25,065,178
Total	$ 18,839,825	$ 7,349,878	$ 25,065,178

During the year, the College had business transactions with entities controlled by members of the Board. These transactions were at market prices on normal terms of purchase and sale.

Note 22 Budget

The College's Board of Governors approved revenue and expense budgets each totaling $ 24,809,818 on April 26, 2000.

The approved budget does not contain amounts for amortization of deferred capital contributions, loss or gain on disposal of assets, amortization, scholarships and bursaries.

Note 23 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $726,631 for the year ended June 30, 2001 (2000 - $676,420). At December 31, 2000, the Local Authorities Pension Plan reported a surplus of $883,823,000 (1999 - $880,358,000).

Note 24 Comparative Figures

Certain 2000 comparative figures have been reclassified, where necessary, to conform to current year's financial statements.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Lakeland College

Financial Statements

June 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Changes in Financial Position

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Lakeland College

I have audited the statement of financial position of Lakeland College (the "College") as at June 30, 2001 and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and the changes in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 28, 2001

LAKELAND COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2001

ASSETS

	2001	2000
Cash and short-term investments (Note 5)	$ 359,550	$ 643,838
Accounts receivable	2,628,160	1,235,241
Deferred expense	152,526	109,670
Inventories (Note 4)	719,285	699,890
	3,859,521	2,688,638
Investments (Note 5)	12,404,934	13,684,567
Patronage dividend receivable	14,785	19,515
Capital assets (Note 6)	56,277,427	57,260,622
	$ 72,556,667	$ 73,653,343

LIABILITIES AND NET ASSETS

	2001	2000
Accrued vacation pay	$ 1,380,508	$ 1,207,208
Accounts payable and accrued liabilities	1,375,538	1,194,319
Unearned revenue (Note 7)	825,112	534,032
Deferred contributions (Note 8)	1,035,193	1,176,418
	4,616,351	4,111,976
Deferred capital contributions (Note 9)	500,807	1,111,334
Unamortized deferred capital contributions (Note 10)	45,128,525	46,836,952
	45,629,332	47,948,286
Net assets:		
Unrestricted	432,638	-
Internally restricted (Note 11)	9,431,853	9,873,997
Invested in capital assets	11,148,902	10,423,670
	21,013,393	20,297,667
Endowments (Note 12)	1,297,591	1,295,413
	22,310,984	21,593,080
	$ 72,556,667	$ 73,653,343

The accompanying notes are part of these financial statements.

LAKELAND COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants (Note 13)	$ 17,013,275	$ 18,980,691	$ 18,326,668
Tuition and related fees	5,671,377	4,830,043	3,855,829
Sales, rentals and services (Note 14)	3,218,622	3,506,123	3,603,027
Amortization of deferred capital contributions (Note 10)	2,615,000	2,549,581	2,209,182
Educational contracts	339,483	543,138	293,962
Investments (Note 15)	450,000	949,909	985,551
Donations	160,000	269,165	156,488
Other	499,100	424,696	160,882
	29,966,857	32,053,346	29,591,589
Expense (Note 16):			
Salaries and benefits (Note 17)	13,038,467	16,720,423	14,993,359
Supplies and services	12,302,008	9,294,747	8,744,152
Amortization of capital assets	3,340,000	3,656,447	3,263,024
Utilities	1,085,740	1,201,614	1,024,937
Severance payments	-	299,720	663,293
Scholarships and bursaries	160,000	164,669	131,703
	29,926,215	31,337,620	28,820,468
Excess of revenue over expense	$ 40,642	$ 715,726	$ 771,121

LAKELAND COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Unrestricted	Internally Restricted (Note 11)	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 715,726	-	-	-	$ 715,726	$ 771,121
Endowment contributions		-	-	2,178	2,178	41,974
Transfers:						
Amortization of internally funded capital assets	1,106,866	-	(1,106,866)	-	-	-
Acquisition of internally funded capital assets	(2,302,863)	-	2,302,863	-	-	-
From internally restricted	442,144	(442,144)	-	-	-	-
Net book value of capital asset disposals	470,765	-	(470,765)	-	-	-
Increase in assets	432,638	(442,144)	725,232	2,178	717,904	813,095
Net assets beginning of year	-	9,873,997	10,423,670	1,295,413	21,593,080	20,779,985
Net assets at end of year	$ 432,638	$ 9,431,853	$ 11,148,902	$ 1,297,591	$ 22,310,984	$ 21,593,080

LAKELAND COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
OPERATING ACTIVITIES		
Excess of revenue over expense	$ 715,726	$ 771,121
Non-cash transactions:		
Amortization of capital assets	3,656,447	3,263,024
Amortization of deferred capital contributions (Note 10)	(2,549,581)	(2,209,182)
Gain on disposal of capital assets	(144,400)	-
Decrease in pension liability	-	(219,000)
Decrease in patronage dividend receivable	4,730	-
	1,682,922	1,605,963
Net change in non-cash working capital (Note 18)	(950,796)	(891,758)
Cash generated through operating activities	732,126	714,205
INVESTING ACTIVITIES		
Acquisition of capital assets:		
Internally funded	(2,302,863)	(1,389,336)
Externally funded	(841,154)	(96,876)
Net decrease (increase) in investments	1,279,633	(11,431,129)
Proceeds from disposal of capital assets	615,165	67,382
Cash used in investing activities	(1,249,219)	(12,849,959)
FINANCING ACTIVITIES		
Endowment contributions	2,178	41,974
Capital contributions received (Note 9)	230,627	1,208,210
Cash generated through financing activities	232,805	1,250,184
(DECREASE) IN CASH AND INVESTMENTS	(284,288)	(10,885,570)
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	643,838	11,529,408
CASH AND INVESTMENTS AT END OF THE YEAR	$ 359,550	$ 643,838

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 1 Authority and Purpose

Lakeland College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980. The College, as an inter-provincial institution, provides quality educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the Income Tax Act and is a registered charity.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be permanently maintained, are recorded as a direct increase to net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(b) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at their fair value when donated. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	40 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunications equipment	5 years

(c) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Pension Liability and Expense

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(e) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate fair value due to the relatively short periods to maturity of the instruments.

Note 3 Changes in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operation results or opening net assets figure.

Note 4 Inventories

Inventories consist of:

	2001	2000
Livestock	$ 394,650	$ 398,850
Bookstore	273,755	256,210
Farm	40,120	35,648
Clothing	8,916	6,696
Quip Shop	1,844	2,486
	$ 719,285	$ 699,890

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 5 Cash and Investments

	2001		2000	
	Cost	Market	Cost	Market
Bank overdraft	$ (274,450)	$ (274,450)	$ (306,162)	$ (306,162)
Consolidated Cash Investment Trust Fund(CCITF)	60,719	60,719	2,539,896	2,539,896
Money market investments	842,924	842,924	815,351	815,351
Bonds	8,129,825	8,225,838	7,911,062	8,056,189
Equities	3,739,877	2,886,829	3,238,781	3,214,395
Cash held by investment manager	265,589	265,589	129,477	129,477
	12,764,484	$ 12,007,449	14,328,405	$ 14,449,146
Less long term amounts	(12,404,934)		(13,684,567)	
	$ 359,550		$ 643,838	

The College's investment strategy is to meet expenditure requirements within one year, investing such funds in liquid investments. Short term investment guidelines are as follows:

a) Assure necessary cash flow.
b) Maximize rate of return.
c) Minimize risk of permanent capital impairment.
d) Preserve capital in nominal and real terms over the long term.
e) Generate a return which is competitive.

The balance of funds are invested for a longer term with a mix of maturities between one and ten years. Long term investments guidelines are as follows:

a) No more than 10% of total portfolio can be invested in any one money market issue except those guaranteed by Government of Canada or the Province of Alberta.
b) No more than 20% of total portfolio can be invested in any one government bond issue except those issued by Government of Canada or the Province of Alberta.
c) No more than 10% of total portfolio in any one corporate bond issue.
d) No more than 10% of equity component to be invested in any one equity issue.
e) Quality constraint on money market securities of at least a rating of R1 or A1 by the Canadian Bond Rating Service or Dominion Bond Rating Service.
f) Quality constraint on provincial bonds of at least a rating of A low by a recognized bond rating service.

Within the investment portfolio, there are securities of $3,132,671 at a cost that are $890,501 in excess of market value. The carrying value of these securities has not been written down to market value because management has concluded, based on review of market information for the securities, that there is no obvious indication of material impariment that is other than temporary.

Certain College investments are pledged as collateral against indebtedness amounting to $800,000 (Note 21(ii))

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 6 **Capital Assets**

Capital assets consist of:

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,515,348	$ -	$ 1,515,348	$ 1,555,348
Buildings	68,112,946	28,758,470	39,354,476	41,991,524
Site Improvements	17,296,302	7,355,940	9,940,362	9,600,356
Furniture & Equipment	7,918,795	5,932,251	1,986,544	1,535,018
Computers & Telecommunications Equipment	4,873,841	2,918,371	1,955,470	1,035,417
Vehicles	796,118	491,990	304,128	196,571
Milk Quotas	215,546	-	215,546	215,546
Library	3,065,110	2,059,557	1,005,553	1,130,842
	$ 103,794,006	$ 47,516,579	$ 56,277,427	$ 57,260,622

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

Note 7 **Unearned Revenue**

Unearned revenue consists of:

	2001	2000
Tuition and residence fees	$ 579,955	$ 340,731
Contract advances	194,665	150,256
Extension and community education course fees	24,355	24,614
Projects & programs	26,137	18,431
	$ 825,112	$ 534,032

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 8 **Deferred Contributions**

The deferred contributions balance represents amounts accounted for in accordance with the policy described in Note 2(a). Changes in deferred contributions are as follows:

	2001	2000
Restricted donations & contributions received during the year:		
Conditional grants	$ 1,062,043	$ 875,627
Scholarships	53,539	103,001
Interest on endowments (Note 15)	85,898	78,561
	1,201,480	1,057,189
Transferred to revenue:		
Conditional grants (Note 13)	(1,128,036)	(1,427,359)
Scholarships and bursaries	(164,669)	(131,703)
Transfer to development	(50,000)	
Net transfer to endowments	-	(16,000)
	(1,342,705)	(1,575,062)
Decrease during the year	(141,225)	(517,873)
Balance at beginning of the year	1,176,418	1,694,291
Balance at end of the year	$ 1,035,193	$ 1,176,418
The balance consists of funds restricted for:		
Conditional grants	$ 747,704	813,221
Scholarships and bursaries	193,814	242,111
College development	93,675	120,611
Other	-	475
	$ 1,035,193	$ 1,176,418

Note 9 **Deferred Capital Contributions**

The deferred capital contributions balance represents amounts accounted for in accordance with the policy described in Note 2(a). Changes in deferred capital contributions are as follows:

	2001	2000
Contributions received during the year	$ 230,627	$ 1,208,210
Transferred to unamortized deferred contributions	(841,154)	(96,876)
Balance at beginning of the year	1,111,334	-
Balance at end of the year	$ 500,807	$ 1,111,334

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2(a).

	2001	2000
Transferred to revenue	$ (2,549,581)	$ (2,209,182)
Transferred from deferred capital contributions (Note 9)	841,154	96,876
	(1,708,427)	(2,112,306)
Balance at the beginning of the year	46,836,952	48,949,258
Balance at the end of the year	$ 45,128,525	$ 46,836,952

Note 11 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2001	2000
Major maintenance and equipment	$ 4,292,150	$ 5,379,522
Delivery initiatives	1,498,123	1,320,174
Other	2,570,788	2,122,901
Long term delivery initiatives	1,070,792	1,051,400
	$ 9,431,853	$ 9,873,997

Note 12 Endowments

Endowments consist of funds restricted for:

	2001	2000
Scholarships and bursaries	$ 877,502	$ 875,324
College development	420,089	420,089
	$1,297,591	$1,295,413

Note 13 Grants

Grant revenue consists of:	2001		2000
	Budget	Actual	Actual
Alberta Learning:			
General operating	$ 14,203,607	$ 14,765,007	$ 14,203,607
Conditional (Note 8)	170,345	1,128,036	1,427,359
Energy grant	-	357,210	-
Alberta Fire Training School	2,025,000	2,025,000	2,025,000
Province of Saskatchewan			
General operating	614,323	705,438	670,702
	$ 17,013,275	$ 18,980,691	$ 18,326,668

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 14 Sales, Rentals and Services

Revenue and direct expense for sales, rentals and services consists of:

	2001		2000
	Budget	Actual	Actual
Revenue:			
Residences	$ 1,490,290	$ 1,423,331	$ 1,470,575
Bookstores	730,000	830,442	727,390
Cafeterias	574,185	569,407	564,738
Conference services	166,400	144,107	197,133
Printing	24,000	119,888	108,000
Swimming pools	165,271	178,464	167,915
Other	68,476	240,484	367,276
	3,218,622	3,506,123	3,603,027
Direct Expense:			
Residences	1,246,415	1,255,275	1,256,167
Bookstores	705,527	795,224	700,887
Cafeterias	601,557	598,513	603,791
Conference services	164,972	157,148	173,989
Printing	(42,122)	22,987	17,646
Swimming pools	216,013	249,536	225,874
Other	68,476	228,711	208,232
	2,960,838	3,307,394	3,186,586
Excess of revenue over direct expense	$ 257,784	$ 198,729	$ 416,441

Note 15 Investment Revenue

	2001	2000
Investment income	$ 1,035,807	$ 810,477
Clarica dividend	-	253,635
Less amount transferred to deferred contributions (Note 8)	(85,898)	(78,561)
	$ 949,909	$ 985,551

Note 16 Operating Expense

Operating expense is summarized as follows:

	2001		2000
	Budget	Actual	Actual
Instruction	$ 11,340,026	$ 10,186,521	$ 8,898,878
Amortization of capital assets	3,340,000	3,656,447	3,263,024
Cost of sales, rental & services (see Note 14)	2,960,838	3,307,394	3,186,586
Facility operations and maintenance	2,505,312	3,069,060	3,301,734
Academic support	2,427,110	3,201,566	2,670,685
Institutional support	4,748,603	5,121,164	5,006,287
Student services	1,462,097	1,608,491	1,460,899
Computing services	1,142,229	1,186,977	1,251,375
Pension liability valuation adj.	-	-	(219,000)
	$ 29,926,215	$ 31,337,620	$ 28,820,468

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 16 Operating Expense (continued)

Instruction encompasses all formal education and instructional program elements and is reported net of $1,050,433 (2000 - $992,753) revenue from the farm and $77,363 (2000 - $56,171) from the daycare centre. These revenues have been netted against other related expenses to reflect net costs of instruction expense. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and financial services. Student Services includes all activities and services for the student body.

Note 17 Salaries and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2001				2000	
	Number of Individuals	Salaries (a)	Benefits & Allowances (b)	Total	Number of Individuals	Total
Chairman of Board	1	$ 5,580	$ 81	$ 5,661	1	$ 5,857
Other Board	10	26,052	15	26,067	10	29,205
		31,632	96	31,728		35,062
President	1	99,167	11,038	110,205	1	111,675
VP Academics	1	97,500	10,726	108,226	0.5	56,214
VP Finance and Operations	1.3	115,333	13,380	128,713	1	98,171
Associate VP Academic/Team Leader	0	-	-	-	0.2	17,625
VP College Dev	1	89,327	9,860	99,187	0.8	79,095
		401,327	45,004	446,331		362,780
Salaries & Ben Exp in year		$ 432,959	$ 45,100	$ 478,059		$ 397,842

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.

Note 18 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ (1,392,919)	$ (623,949)
Deferred expense	(42,856)	(58,997)
Inventories	(19,395)	(125,049)
Accrued vacation pay	173,300	77,154
Accounts payable & accrued liabilities	181,219	388,402
Unearned revenue	291,080	(31,446)
Deferred contributions	(141,225)	(517,873)
	$ (950,796)	$ (891,758)

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 19 **Budget**

The operating and capital budgets were approved by the Board of Governors on September 27, 2000. The operating budget does not include revenue and expense for ad hoc programs negotiated subsequent to budget approval.

The approved capital budget provided $2,408,815 (actual $3,144,017) for acquisitions of capital assets.

Note 20 **Lease Commitments**

The College has the following operating lease commitments:

2001-02	$149,625
2002-03	117,460
2003-04	90,528
2004-05	74,753
2005-06	24,228
	$456,594

Note 21 **Related Party Transactions**

(i) Province of Alberta

The College is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed in Note 13 to these financial statements. In addition, the conditional grants deferred contribution balance includes $747,704 (2000 - $813,221) of conditional grants provided by the Province.

(ii) Alberta Fire Training School

On March 31, 1998 the Province of Alberta transferred operations of the Alberta Fire Training School to a wholly owned subsidiary of Lakeland College (the Alberta Fire Training School Inc. (the "School")). The subsidiary was incorporated under the Alberta Business Corporations Act. The results of operations of the subsidiary are not included in the College's financial statements. The summarized results of operations for the School, which are prepared using the same accounting policies as the College, for the year ended February 28, 2001 are as disclosed below.

	For the Year Ended February 28, 2001	For the Four Month Period Ended June 30, 2001
Revenue	$ 4,888,686	$ 2,357,962
Expense	(4,888,686)	(2,153,969)
Excess of revenue over expense	$ -	$ 203,993

LAKELAND COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 21 **Related Party Transactions (continued)**

(ii) Alberta Fire Training School (continued)

Revenue to February 2001 includes $2,203,099 in grants provided by the College and $332,674 in amortization of deferred capital contributions related to capital assets contributed by the College. Also, the College received $150,185 from the School for operational and ancillary services provided during the year. A note receivable has been recorded by the College in the amount of $161,471. Assets are pledged as collateral by the College to secure an $800,000 loan negotiated by the School.

A summary of the School's financial position is as follows:

	Februrary 28, 2001	June 30, 2001
Assets	$ 8,379,733	$ 8,920,298
Liabilities	8,282,641	8,619,213
Net assets	97,092	301,085
Liabilities & net assets	$ 8,379,733	$ 8,920,298

(1) Includes deferred contributions from the College of $294,045 (Feb 2001) and $134,227 (June 2001)

Note 22 **Comparative Figures**

The 2000 figures have been reclassified where necessary to conform to 2001 presentation.

Note 23 **Subsequent Event**

In September 2001, the College issued a debenture for $3,000,000 for the construction of new residences. The financing agreement is with the Alberta Municipal Financing Corporation for 25 years with interest thereon at the rate of 6.5% per annum.

Note 24 **Approval of Financial Statements**

These financial statements have been approved by the Board of Governors.

ALBERTA FIRE TRAINING SCHOOL INC.

Financial Statements

Four months ended June 30, 2001

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Fire Training School Inc.

I have audited the statement of financial position of the Alberta Fire Training School Inc. (the "School") as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the four (4) month period then ended. These financial statements are the responsibility of the School's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the School as at June 30, 2001 and the results of its operations and cash flows for the four (4) month period then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 7, 2001

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	June 2001	February 2001
ASSETS		
Current:		
Cash	**$ 1,308,923**	$ 1,243,207
Accounts receivable	**685,815**	221,692
Inventories (Note 3)	**90,537**	60,319
Prepaid expenses	**32,896**	58,310
Current portion of loans receivable (Note 4)	**20,398**	16,778
	2,138,569	1,600,306
Loans receivable (Note 4)	**18,320**	27,243
Capital assets (Note 5)	**6,763,409**	6,752,184
	$ 8,920,298	$ 8,379,733
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current:		
Accounts payable and accrued liabilities	**676,677**	399,855
Due to Lakeland College (Note 6)	**820,338**	819,459
Unearned revenue and deferred contributions (Note 7)	**479,326**	432,065
Current portion of long term debt (Note 10)	**127,797**	110,622
	2,104,138	1,762,001
Long term debt (Note 10)	**938,954**	957,359
Unamortized deferred capital contributions (Note 9)	**5,576,121**	5,563,281
Net assets		
Share Capital (Note 11)	**1**	1
Unrestricted net assets	**150,803**	(52,836)
Invested in capital assets	**150,281**	149,927
	301,085	97,092
	$ 8,920,298	$ 8,379,733

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF OPERATIONS
FOR THE FOUR MONTH PERIOD ENDED JUNE 30, 2001

	Four Months Budget 2001 (Note 16)	**Four Months June 2001**	Twelve Months February 2001
Revenues:			
Program fees	$ 1,355,224	**$ 1,292,070**	$ 2,637,734
Grants	765,600	**750,333**	1,684,331
Grant for implementation plan (Note 7)	-	**166,258**	185,472
Amortization of deferred capital contributions (Note 9)	133,333	**110,244**	332,674
Sales, rentals and services	14,800	**16,846**	14,546
Investments	12,000	**22,211**	33,929
	2,280,957	**2,357,962**	4,888,686
Expenses:			
Salaries and benefits (Note 12)	838,088	**859,494**	2,090,836
Consulting fees	162,098	**156,525**	410,192
Facilities costs	106,007	**93,609**	211,902
Vehicle expenses	20,051	**21,431**	62,011
Equipment costs	114,637	**109,945**	172,329
Implementation plan costs (Note 7)	-	**166,258**	185,472
Amortization of externally funded capital assets	133,333	**110,244**	332,674
Amortization of internally funded capital assets	-	**30,524**	27,565
Insurance	22,440	**24,949**	67,532
Printing costs	51,490	**57,905**	85,787
Program delivery	268,398	**283,696**	581,802
Administration	138,249	**130,385**	283,061
Subsidized student lodging	107,713	**64,592**	180,070
Other expenses	-	**21,119**	87,074
Interest and bank charges	4,290	**6,705**	12,637
Interest on long term debt	17,955	**16,036**	46,733
Bad debts	-	**552**	51,009
	1,984,749	**2,153,969**	4,888,686
Excess of revenues over expenses	$ 296,208	**$ 203,993**	$ -

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FOUR MONTH PERIOD ENDED JUNE 30, 2001

	Four Months June 2001				Twelve Months February 2001
	Unrestricted	**Invested in Capital Assets**	**Share Capital**	**Total**	**Total**
Excess revenues over expenses	$ 203,993	$ -	$ -	$ 203,993	$ -
Transfers:					
Amortization of internally funded capital assets	30,524	(30,524)	-	-	-
Repayment of loans	(30,878)	30,878	-	-	-
Increase in net assets	203,639	354	-	203,993	-
Balance at beginning of period	(52,836)	149,927	1	97,092	97,092
Balance at end of period	$ 150,803	$ 150,281	$ 1	$ 301,085	$ 97,092

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF CASH FLOWS
FOR THE FOUR MONTH PERIOD ENDED JUNE 30, 2001

	Four Months June 2001	Twelve Months February 2001
Cash flows from operating activities:		
Cash receipts from customers	$ 1,053,026	$ 2,757,182
Cash paid to suppliers and employees	(1,716,844)	(3,940,103)
Grants received	755,773	2,019,443
Investment income received	22,057	30,502
Interest paid	(23,460)	(55,306)
Cash generated through operating activities	90,552	811,718
Cash flow from investing activities:		
Amounts collected from employees	5,303	
Loans advanced to employees	-	(44,021)
Contributed and purchased capital assets	(151,993)	(832,291)
Cash used in investing activities	(146,690)	(876,312)
Cash flows from financing activities:		
Proceeds from loans to acquire capital assets	28,908	594,377
Proceeds from loans for computer loan program	740	29,005
Repayment of loans	(30,878)	(80,401)
Capital contributions received (Note 8)	123,084	237,914
Cash generated through financing activities	121,854	780,895
Increase in cash	65,716	716,301
Cash, beginning of period	1,243,207	526,906
Cash, end of period	$ 1,308,923	$ 1,243,207

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Note 1 Authority and Purpose

Alberta Fire Training School Inc. (the "School") was incorporated under the Alberta Business Corporations Act. Section 6 on February 27, 1998 as a not-for-profit organization and is exempt from taxes under the Income Tax Act. The School, in cooperation with clients and partners, provides quality competitive emergency service training programs and services through leadership, standardization and innovation.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The School, a wholly owned subsidiary of Lakeland College (the "College"), began operations on April 1, 1998.

These financial statements for the four (4) month period ending June 30, 2001 are being prepared because the School changed its fiscal year end to June 30 from February 28 to coincide with Lakeland College's year end.

(b) Revenue Recognition

i) Operating grants from the College are recorded as revenue in the period they become receivable.

ii) Amounts received for program fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

iii) Capital grants from the College and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

iv) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

v) Capital assets contributed, or restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases to equity in capital assets.

vi) Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can reasonably be determined.

(c) Capital Assets

The land and buildings, which house the School, were transferred to the College from the Department of Infrastructure (Infrastructure) on March 31, 1998. The remaining useful life of the buildings at the time of transfer was 3 to 37 years.

A renewable facility license agreement has been granted to the School for use of the College assets. The facility license, providing the right to use the buildings and land, has been recorded as an asset of the School at fair value. Fair value is estimated as Infrastructure's net book value at time of transfer to the College.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Facility license - buildings	3 to 37 years
Furniture and equipment	10 years
Computers and telecommunication equipment	5 years
Service vehicles	5 years
Leasehold improvements	30 to 32 years

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Employee future benefits

The School participates in the Management Employees Pension Plan and Local Authorities Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the School's employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the period based on rates which are expected to provide for benefits payable under the respective pension plans. The School's portion of the pension plans' deficit or surplus is not recorded by the School.

(f) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. For example, the amounts recorded for amortization of capital assets and amortization of deferred capital contributions are based on estimates of the useful life of the related assets. The effect on the financial statements of changes in such estimates could be significant.

(g) Financial Instruments

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair market values because of the short-term nature of these items.

The Canadian Imperial Bank of Commerce loans in the amount of $71,009 bear interest which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Note 3 Inventories

Inventories consist of:

	June 2001	February 2001
Firefighting agents	$ 60,589	$ 23,910
Fuels	29,948	36,409
	$ 90,537	$ 60,319

Note 4 Loans Receivable

	June 2001	February 2001
Employee loans receivable	$ 38,718	$ 44,021
Less: current portion	(20,398)	(16,778)
	$ 18,320	$ 27,243

The loans are receivable from employees in bi-weekly installments of $879 including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long term loans receivable follow:

2002	$ 20,398
2003	18,320
2004	-
2005	-
2006 and subsequent	-
	$ 38,718

Note 5 Capital Assets

Capital assets consist of:

	June 2001			February 2001
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Facility License				
Buildings	$ 5,254,016	$ 629,341	$ 4,624,675	$ 4,681,874
Land	97,091	-	97,091	97,091
Furniture and equipment	729,634	149,909	579,725	524,593
Computers and telecommunciations equipment	427,226	128,657	298,569	306,555
Leasehold improvements	944,998	37,483	907,515	916,324
Service vehicles	329,361	73,527	255,834	225,747
	$ 7,782,326	$ 1,018,917	$ 6,763,409	$ 6,752,184

Note 6 Due to Lakeland College

Amounts due to the College consists of payments made on behalf of the School, funds due for services rendered and amounts not required to fund current operations or capital purchases.

Note 7 Unearned Revenue and Deferred Contributions

Unearned revenue and deferred contributions amounts represent amounts accounted for in accordance with the accounting policy described in Note 2 (b)(ii) & (iv).

	June 2001	February 2001
Deferred contributions	$ 134,227	$ 294,045
Unearned revenue	345,099	138,020
	$ 479,326	$ 432,065

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Note 7 Unearned Revenue and Deferred Contributions (continued)

The deferred contribution balance is comprised of the following:

	June 2001	February 2001
Amounts received from (repaid to):		
Alberta Municipal Affairs	**$ 50,000**	$ 500,000
Lakeland College		(2,461)
Alberta Safety Codes Council	**30,000**	30,000
Amounts recognized as revenue:		
Grant for implementation plan	**(166,258)**	(185,472)
Grants	**(73,560)**	(148,470)
Change during the period	**$ (159,818)**	$ 193,597
Balance at beginning of period	**294,045**	100,448
	$ 134,227	$ 294,045

Unspent amounts at the end of the period are restricted for the following purposes:

	June 2001	February 2001
Current:		
Safety Codes Officer Training Initiative	**53,088**	62,185
Implementation plan	**48,270**	214,528
Learning Enhancement Envelope	**3,923**	10,832
Fire Safety Codes Officer Level 1 Investigator/Inspector training material	**28,946**	6,500
	$ 134,227	$ 294,045

Note 8 Deferred Capital Contributions

The deferred capital contribution balance represents amounts accounted for in accordance with the policy described in Note 2(b)(iii). Changes in deferred capital contributions are as follows:

	June 2001	February 2001
Balance at beginning of period	$ -	$ -
Capital grants received during the period	**123,084**	237,914
Transferred to unamortized deferred capital contributions (Note 9)	**(123,084)**	(237,914)
Balance at end of period	**$ -**	$ -

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2(b)(iii).

	June 2001	February 2001
Balance at beginning of period	**$ 5,563,281**	$ 5,702,998
Transferred from deferred capital contributions (Note 8)	**123,084**	237,914
Transferred to revenue	**(110,244)**	(332,674)
Write down of capital assets	**-**	(44,957)
Balance at end of period	**$ 5,576,121**	$ 5,563,281

Note 10 Long Term Debt

Details of long term debt and security held follow:

	June 2001			February 2001
	Total	Current portion	Long term portion	Long term portion
(a) Bank loan	$ 732,271	$ 69,544	$ 662,727	$ 690,572
(b) Note Payable	161,471	-	161,471	161,471
(c) Bank loan	21,723	5,206	16,517	18,308
(d) Finance contracts	80,277	20,845	59,432	42,771
(e) Conditional sales contract	41,264	10,764	30,500	34,088
(f) Bank loan	29,745	21,438	8,307	10,149
	$ 1,066,751	$ 127,797	$ 938,954	$ 957,359

(a) The bank loan is payable in monthly installments of $9,171 including interest at a rate of 5.85%. The loan is secured with a general security agreement and an $800,000 term deposit owned by Lakeland College. The loan matures in 2010.

(b) The note, payable to Lakeland College, was advanced to fund the installation of a new student registration system that is expected to cost $250,000. The final terms of repayment including the amortization period and interest rate will be determined upon completion of the project.

(c) The bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $22,768 and matures in 2005.

(d) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $81,996 and mature in 2005.

Note 10 Long Term Debt (continued)

(e) The bank loan, payable to the Canadian Imperial Bank of Commerce is payable in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus .75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $42,256. The loan matures in 2005.

The proceeds for all the above loans were used to acquire capital assets.

(f) The bank loan, on employee computer purchases, payable to the Canadian Imperial Bank of Commerce, will be repaid in installments equal to bi-weekly payroll deductions of $879 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2003.

Aggregate annual maturities of long term debt follow:

2002	$ 127,797
2003	119,704
2004	116,738
2005	112,708
2006 and subsequent	589,804
	$ 1,066,751

Note 11 Share Capital

	June 2001	February 2001
Authorized:		
Unlimited number of voting common shares		
Issued:		
100 common shares	$ 1	$ 1

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Note 12 Salaries and Benefits

	Four Months June 2001			Twelve Months February 2001		
	Salary (a)	Benefits and Allowances (b)	Total	Salary (a)	Benefits and Allowances (b)	Total
Chairman of the Board	$ 2,662	$ 91	$ 2,753	$ 17,838	$ 617	$ 18,455
Board Members	9,120	222	9,342	30,892	688	31,580
Chief Executive Officer	46,384	5,912	52,296	70,599	12,088	82,687
Managers, Operations (4)	108,186	13,329	121,515	210,993	22,966	233,959
Manager, Course Development and Accreditation	21,808	3,476	25,284	62,826	8,156	70,982

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and disability plans.

(c) The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the School.

Note 13 Pensions Expense

The School participates in multi-employer pension plans. the Management Employees Pension Plan and Local Authorities Pension Plan. The expense for these pension plans is equivalent to the aggregate contributions of $29,182 for the four month period ending June 30, 2001, and $60.389 for the year ended February 28. 2001.

At December 31. 2000. the Management Employees Pension Plan reported a surplus of $104.7 million (1999 $46 million) and the Local Authorities Pension Plan reported a surplus of $883.8 million (1999 $880.4 million).

Note 14 Lease Commitments

The School has the following operating lease commitments:

2002	$	7,147
2003		6,637
2004		6,127
2005		6,127
2006 and subsequent		9,191
	$	35,229

Note 15 Related Party Transactions

Lakeland College

The School is a wholly owned subsidiary of the College with four of the seven members of the Board of Governors appointed by the College. Effective April 1, 1998 capital assets of $5,585,183 were transferred from the College to the School, (see Note 2(c)). Transactions during the period between the School and the College, measured at the exchange amount, are summarized as follows:

	Four Months June 2001	Twelve Months February 2001
Operating Grants from the College	**$ 675,000**	$ 1,490,904
LEE Grant	**6,909**	87,155
Supplies, Goods and Services purchased from the College	**122,861**	84,990
Service Fees received from the College	**73,400**	104,000
Capital Grants	**123,084**	237,914
As at the date of the Statement of Financial Position, the school had:		
Accounts payable to the College	**47,340**	-
Accounts receivable from the College	**106,125**	-
Due to Lakeland College	**820,338**	819,459

Note 16 Budget

On June 11, 2001 the Board of Directors approved a revenue and expense budget by program and department for the year ended February 28, 2002. The four months' budget on the statement of operations was extracted from this approved budget. The budget did not include amounts for:

(a) Grant for implementation plan
(b) Implementation plan costs
(c) Bad debts
(d) Other expenses

Note 17 Approval of Financial Statements

These financial statements were approved by the Board of Directors of the Alberta Fire Training School Inc.

Note 18 Comparative Figures

Certain February 2001 figures have been reclassified to conform to the June 2001 presentation.

LETHBRIDGE COMMUNITY COLLEGE

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Combined Statement of Financial Position

Combined Statement of Revenue and Expense

Combined Statement of Changes in Net Assets

Combined Statement of Cash Flows

Notes to the Combined Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To: Board of Governors of
Lethbridge Community College

I have audited the combined statement of financial position of Lethbridge Community College as at June 30, 2001 and the combined statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 29, 2001

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash and investments (Note 4)	$ 5,273,818	$ 398,479
Accounts receivable (Note 5)	1,537,493	1,164,290
Accrued investment income	59,757	64,352
Inventories (Note 6)	737,232	632,624
Prepaid expenses	286,133	219,336
	7,894,433	2,479,081
Non-current cash and investments (Note 4)	14,064,550	10,245,321
Investment in Co-operative Aquaculture Research Project (Note 7)	-	264,708
Capital assets (Note 8)	41,369,372	36,411,456
	$ 63,328,355	$ 49,400,566
LIABILITIES AND NET ASSETS		
Current:		
Bank overdraft	$ -	$ 2,050,508
Accounts payable and accrued liabilities	2,583,225	720,227
Accrued vacation pay	607,366	629,318
Unearned revenue (Note 9)	925,595	847,155
Deferred contributions (Note 10)	2,884,258	2,140,819
Current portion of debenture payable	118,642	-
	7,119,086	6,388,027
Deferred capital contributions (Note 10)	8,060,767	1,183,572
Debenture payable (Note 12)	6,506,358	-
Unamortized deferred capital contributions (Note 13)	30,562,860	30,960,032
	45,129,985	32,143,604
	52,249,071	38,531,631
Net assets:		
Operating:		
Unrestricted	-	83,095
Internally restricted (Note 14)	990,626	2,526,947
	990,626	2,610,042
Investment in capital assets (Note 8)	6,944,533	5,451,424
Endowments (Note 15)	3,144,125	2,807,469
Commitments and contingencies (Note 23)		
	11,079,284	10,868,935
	$ 63,328,355	$ 49,400,566

The accompanying notes are part of these financial statements.

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 24)	Actual	Actual
Revenue:			
Grants (Note 16)	$ 20,208,390	$ 21,546,373	$ 19,550,265
Tuition and related fees	12,527,102	12,253,751	11,495,736
Sales, rentals and services (Note 17)	4,736,692	5,623,495	5,049,241
Contract programs	1,481,746	1,778,911	1,622,848
Investment income (Note 18)	404,124	578,080	458,012
Donations	230,480	241,082	300,240
Amortization of deferred capital contributions (Note 13)	2,943,135	3,124,091	3,057,066
	42,531,669	45,145,783	41,533,408
Expense (Note 19):			
Salaries and benefits (Note 20)	28,784,868	29,430,120	26,576,662
Supplies and services	6,222,950	7,575,307	6,975,552
Cost of sales, rentals and services (Note 17)	2,592,648	3,245,646	2,776,920
Utilities	948,614	1,274,423	907,986
Scholarships and bursaries	77,000	101,608	86,324
Amortization of capital assets	3,422,870	3,603,509	3,412,424
	42,048,950	45,230,613	40,735,868
Excess (deficiency) of revenue over expense before the under-noted	482,719	(84,830)	797,540
Share of loss in Co-operative Aquaculture Research Project (Note 7)	-	-	(174,033)
Excess (deficiency) of revenue over expense	$ 482,719	$ (84,830)	$ 623,507

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Unrestricted	Internally Restricted (Note 14)	Investment in Capital Assets (Note 8)	Restricted for Endowment Purposes (Note 15)	Total	Total
Balance at beginning of year	$ 83,095	$ 2,526,947	$ 5,451,424	$ 2,807,469	$ 10,868,935	$10,173,011
Excess (deficiency) of revenue over expense	(84,830)	-	-	-	(84,830)	623,507
Net assets restricted by the Board (Note 14)	1,536,321	(1,536,321)	-	-	-	-
Capital assets acquired from internal funds	(1,980,902)	-	1,980,902	-	-	-
Amortization of internally funded capital assets	487,793	-	(487,793)	-	-	-
Transfer to endowments	(41,477)	-	-	41,477	-	-
Endowment contributions received	-	-	-	295,179	295,179	72,417
Balance at end of year	$ -	$ 990,626	$ 6,944,533	$ 3,144,125	$ 11,079,284	$10,868,935

LETHBRIDGE COMMUNITY COLLEGE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Cash flows generated from operating activities:		
Excess (deficiency) of revenue over expense	$ (84,830)	$ 623,507
Amortization of capital assets	3,603,509	3,412,424
Increase (decrease) in pension obligation	-	(341,348)
Share of loss in Co-operative Aquaculture Research Project	-	174,033
Amortization of deferred capital contributions	(3,124,091)	(3,057,066)
	394,588	811,550
Changes in non-cash working capital:		
Accounts receivable	(373,203)	1,144,965
Accrued investment income	4,595	(16,922)
Inventories	(104,608)	(42,152)
Prepaid expenses	(66,797)	(35,806)
Accounts payable and accrued liabilities	1,862,998	(92,582)
Accrued vacation pay	(21,952)	38,975
Unearned revenue	78,440	40,352
Deferred contributions	743,439	(13,733)
	2,122,912	1,023,097
	2,517,500	1,834,647
Cash flows used by investing activities:		
Acquisition of capital assets:		
From internal funds	(1,980,902)	(829,046)
From deferred contributions	(2,726,919)	(1,401,544)
From debenture funds	(3,861,979)	-
Proceeds from disposal of capital assets	8,375	33,341
Increase in non-current cash and investments	(3,819,229)	(5,829,797)
Amount recovered from (contributed to) the Co-operative Aquaculture Research Project (Note 7)	264,708	(166,997)
	(12,115,946)	(8,194,043)
Cash flows generated from financing activities:		
Capital contributions received	9,604,114	2,323,172
Debenture for construction purposes	6,625,000	-
Endowment contributions received	295,179	72,417
	16,524,293	2,395,589
Increase (decrease) in current cash and investments, net of change in bank overdraft	6,925,847	(3,963,807)
Current cash and investments, net of bank overdraft, beginning of year	(1,652,029)	2,311,778
Current cash and investments, net of bank overdraft, end of year	$ 5,273,818	$(1,652,029)

LETHBRIDGE COMMUNITY COLLEGE

NOTES TO THE COMBINED FINANCIAL STATEMENTS

JUNE 30, 2001

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Colleges Act, Chapter C-18, Statutes of Alberta 1980, as amended. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Combined Statements

These combined financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation solicits, receives and administers donations for the advancement of the College. Certain administrative services are provided by the College without charge to the Foundation. The Foundation is a registered charity and is exempt from payment of income tax.

The accounts of the two organizations have been combined to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on combination.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is a significant and permanent impairment in the value of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Leasehold improvements	Period of lease
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Financial Instruments

The carrying values of cash, accounts receivable, accrued investment income, accounts payable and accrued vacation pay approximate their fair values because of the short-term maturities of these items. Fair value of non-current cash and investments is disclosed in Note 4.

(i) Use of Estimates

The preparation of the combined financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the combined financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 3 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded pension obligation in respect of pre-1992 service for the plan, which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening asset figures.

Note 4 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

Note 4 Cash and Investments (continued)

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSE 300 Index, S&P 500 Index for U.S. equities and the Morgan Stanley Capital International, Europe, Australia and Far East Index for international equities.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 4 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2001		2000	
	Cost	Fair Value(i)	Cost	Fair Value
Cash and temporary investments:				
Cash	$9,214,844	$ 9,214,844	$ 398,479	$ 398,479
Fixed income:(ii)				
Federal guaranteed bonds	1,817,768	1,773,020	1,686,266	1,671,624
Provincial guaranteed bonds	609,276	596,518	1,178,555	1,159,774
Corporate bonds	3,203,878	3,172,778	2,568,866	2,496,794
Foreign currencies bonds	1,230,251	1,127,419	-	-
	6,861,173	6,669,735	5,433,687	5,328,192
Equities:				
Canadian	1,031,526	1,216,500	3,542,866	3,906,028
Foreign	2,230,825	2,072,596	1,268,768	1,620,868
	3,262,351	3,289,096	4,811,634	5,526,896
	19,338,368	19,173,675	10,643,800	11,253,567
Less amounts not available for current purposes	14,064,550	13,899,857	10,245,321	10,855,088
Cash and investments	$5,273,818	$ 5,273,818	$ 398,479	$ 398,479

(i) On a total basis, the market value of all investments is $164,693 less than cost. Within the investment portfolio, the fixed income securities, at market value of $6,669,735, are $191,438 less than cost and foreign equities, at market of $2,072,569, are $158,229 less than cost. The carrying value of these securities have not been written down to market value because management has concluded, based on review of market information for securities, that there is no obvious indication of material impairment that is other than temporary.

(ii) The terms of the bond portfolio range from 1 year to 28 years with an average term to maturity of 10 years (2000 - 9 years). The average effective yield on the bond portfolio is 6.16% (2000 - 6.29%).

Note 5 Accounts Receivable

	2001	2000
Contract programs	$ 396,957	$ 366,535
Province of Alberta:		
Alberta Learning	181,161	94,792
Alberta Infrastructure	16,786	11,981
Other Alberta Government departments	205,349	230,417
Tuition fees	160.803	147.140
Other	576,437	313,425
	$ 1,537,493	$ 1,164,290

Note 6 Inventories

	2001	2000
Bookstore	$ 395,687	$ 460,126
Carp fish stocks	134,627	-
Printing	101,365	62,001
Cafeteria	42,395	36,075
Distance Education Centre	22,698	19,224
Other	40,460	55,198
	$ 737,232	$ 632,624

Note 7 Investment in Co-operative Aquaculture Research Project

The Co-operative Aquaculture Research Project ("C.A.R.P.") is a joint venture with Eastern Irrigation District (the "E.I.D.") established for the purposes of carrying on research, production and distribution of Grass Carp fish for biological weed control and the development and testing of potential commercial uses and markets for Carp.

The joint venturers agreed to dissolve the joint venture effective July 31, 2001. During the year, the parties ceased joint venture operations and the advances representing the net realizable value of the investment in the joint venture were repaid.

Effective July 1, 2000, the College assumed responsibility for carp breeding and the cost of growing the carp prior to their consignment to E.I.D. for mature growth and sale. Revenues for carp sales, collected by E.I.D., are shared between the two parties on an agreed basis.

Note 7 Investment in Co-operative Aquaculture Research Project (continued)

Grass carp operations during the current year are disclosed as part of ancillary services (Note 17) and carp stocks at June 30, 2001 are included as part of inventories.

The two parties to the revenue sharing arrangement agreed to cease further revenue sharing operations effective July 31, 2001.

Note 8 Capital Assets

a) Summary of Cost and Net Book Value

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 432,635	$ -	$ 432,635	$ 432,635
Building and site improvements	69,047,187	36,426,645	32,620,542	31,759,276
Leasehold improvements	49,826	49,826	-	-
Furnishings and equipment	9,737,268	8,534,749	1,202,519	1,030,174
Library	1,216,221	1,030,121	186,100	183,662
Motor vehicles	771,269	653,960	117,309	148,622
Computer equipment and systems software	7,478,166	5,790,164	1,688,002	1,855,200
Audio and visual equipment	631,329	617,917	13,412	12,773
Permanent art collection	370,749	-	370,749	370,749
	89,734,650	53,103,382	36,631,268	35,793,091
Construction in progress	4,738,104	-	4,738,104	618,365
	$ 94,472,754	$ 53,103,382	41,369,372	36,411,456
Less: Construction financed by debenture			3,861,979	-
: Unamortized deferred capital contributions			30,562,860	30,960,032
Net investment in capital assets			$ 6,944,533	$ 5,451,424

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of $52,697 (2000 - $16,432).

Note 9 Unearned Revenue

	2001	2000
Contract programs	$ 496,096	$ 442,818
Tuition fees	316,791	270,507
Other	112,708	133,830
	$ 925,595	$ 847,155

At June 30, 2001, the College has received commitments from students for 2001 - 2002 tuition fees, in addition to the above tuition fees, amounting to $3,094,982.

Note 10 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2001	2000
Contributions received:		
Grants, Province of Alberta	$ 9,345,965	$ 2,360,830
Other contributions	1,849,851	1,245,547
Investment income on net assets externally restricted for endowment purposes (Note 18)	146,248	142,291
Transferred to:		
Grants, Province of Alberta	(607,181)	(996,698)
Donations	(241,082)	(300,240)
Investment income (Note 18)	(146,248)	(142,291)
Unamortized deferred capital contributions (Note 13)	(2,726,919)	(1,401,544)
Increase during the year	7,620,634	907,895
Balance at beginning of year	3,324,391	2,416,496
Balance at end of year	$10,945,025	$ 3,324,391

The balances at end of year represent funds held for the following purposes:

	2001	2000
Deferred contributions:		
Conditionally funded projects	$ 1,055,565	$ 726,494
Access program support	1,029,252	509,542
External scholarships	541,985	474,506
Scholarships, awards and bursaries	232,653	408,284
Other	24,803	21,993
	2,884,258	2,140,819
Deferred capital contributions:		
Conditionally funded projects	7,986,686	907,473
Comprehensive fundraising campaign	-	172,845
Endowment earnings	74,081	103,254
	8,060,767	1,183,572
	$10,945,025	$ 3,324,391

Note 11 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,012,816 for the year ended June 30, 2001 (2000 - $905,519).

At December 31, 2000, the Local Authorities Pension Plan reported a surplus of $883,823,000 (1999 - $880,358,000).

Note 12 Debenture Payable

During the year, the College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Municipal Finance Corporation (the "AMFC") to finance the campus residence expansion project. A $6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of AMFC. The debenture is secured by a security agreement dated February 23, 2001 between the College and AMFC pursuant to which the College granted, in favor of AMFC, a security interest in certain specific personal property.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in twenty-five (25) consecutive annual installments of $524,424, principal and interest, commencing on March 1, 2002.

	2001	2000
Debenture payable	$6,625,000	$ -
Less current portion	118,642	-
	$6,506,358	$ -

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2002	$ 118,642
2003	125,909
2004	133,621
2005	141,805
2006	150,491
Thereafter	5,954,532
Total	$6,625,000

Note 13 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2001	2000
Balance at beginning of year	$ 30,960,032	$ 32,615,554
Add amount transferred from deferred contributions (Note 10)	2,726,919	1,401,544
Less amount amortized to revenue	(3,124,091)	(3,057,066)
Balance at end of year	$ 30,562,860	$ 30,960,032

Note 14 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Returned	Add Funds Appropriated	Balance at End of Year
Staff and program development	$ 447,746	$ 989,168	$ 1,049,683	$ 508,261
Foundation general reserve	134,099	1,936,517	1,834,513	32,095
College funded scholarships endowment earnings	120,844	6,750	12,238	126,332
Other endowment earnings	71,637	13,707	47,667	105,597
International education	71,450	-	-	71,450
Kodiak Team fund	42,156	64,695	72,042	49,503
Other	1,425	1,284	610	751
	889,357	3,012,121	3,016,753	893,989
Capital replacement	1,637,590	2,783,602	1,242,649	96,637
	$ 2,526,947	$ 5,795,723	$ 4,259,402	$ 990,626

The net transfer to Unrestricted Net Assets comprises:

Funds returned	$ 5,795,723
Funds appropriated	4,259,402
	$ 1,536,321

Note 15 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2001			2000
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	$ 1,110,977	$ 127,472	$ 1,238,449	$ 1,206,923
Scholarships	1,300,472	72,434	1,372,906	1,079,321
Kodiak Athletics Fund	205,402	47,244	252,646	252,213
Talbot Education Fund	115,564	30,281	145,845	141,915
Industrial Technology Fund	62,500	18,965	81,465	76,935
Native Canadian Fund	28,200	11,754	39,954	37,948
Environmental Fund	9,104	3,756	12,860	12,214
	$ 2,832,219	$ 311,906	$ 3,144,125	$ 2,807,469

Note 16 Grants

Grant revenue consists of amounts received from the following sources:

	2001		2000
	Budget (Note 24)	Actual	Actual
Alberta Learning	$ 19,249,416	$ 19,401,991	$ 18,311,432
Alberta Infrastructure	-	539,177	$ 387,210
Other Alberta Government departments	456,177	1,152,703	320,710
Other sources	502,797	452,502	530,913
	$ 20,208,390	$ 21,546,373	$ 19,550,265

Note 17 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2001					2000
		Direct Expense				
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	$ 1,129,341	$ 602,851	$ -	$ 602,851	$ 526,490	$ 358,261
Ancillary services (Note 19):						
Bookstore	2,406,660	1,717,547	159,888	1,877,435	529,225	361,700
Cafeteria	799,090	496,031	226,602	722,633	76,457	14,961
Residence	714,763	(111)	747,120	747,009	(32,246)	(109,014)
Meat Store	49,320	26,792	16,055	42,847	6,473	(10,129)
Carp operations	83,147	354,254	-	354,254	(271,107)	-
Daycare centre	183,876	-	183,176	183,176	700	(8,148)
Physical Education building	193,741	25,994	240,028	266,022	(72,281)	(57,823)
Health services	49,056	-	93,357	93,357	(44,301)	(49,403)
Athletics - special events	14,501	22,288	(7,787)	14,501	-	-
	4,494,154	2,642,795	1,658,439	4,301,234	192,920	142,144
	$ 5,623,495	$ 3,245,646	$ 1,658,439	$ 4,904,085	$ 719,410	$ 500,405

Note 18 Investment Income

	2001	2000
Investment earnings on net assets restricted for endowment purposes (Note 10)	$ 146,248	$ 142,291
Add investment income from other sources	431,832	315,721
Total investment income recognized as revenue	$ 578,080	$ 458,012

Note 19 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2001		2000
	Budget (Note 24)	Actual	Actual
Instruction	$ 20,908,087	$ 22,190,998	$ 19,879,185
Academic support	3,765,254	4,211,879	4,129,267
Student services	1,829,119	2,032,425	1,618,944
Institutional support	7,275,450	7,838,022	6,877,188
Ancillary services (Note 17)	3,891,538	4,301,234	3,947,477
Computer services	1,197,100	1,294,565	1,168,726
Amortization of capital assets	3,422,870	3,603,509	3,412,424
	42,289,418	45,472,632	41,033,211
Less amortization of capital assets - Ancillary services	240,468	242,019	297,343
	$ 42,048,950	$ 45,230,613	$ 40,735,868

Note 20 Salaries and Benefits

	2001				2000	
	Number of Individuals[a]	Salary[b]	Benefits and Allowances[c]	Total	Number of Individuals[a]	Total
Chairman of the Board of Governors	1	$ 4,120	$ 25	$ 4,145	1	$ 4,033
Board members[d]	9	20,640	124	20,764	9	19,951
	10	24,760	149	24,909	10	23,984
President[e]	1.0	143,592	10,336	153,928	1.0	137,731
Vice President Corporate Services	1.0	103,695	11,301	114,996	1.0	118,654
Vice President Student and Enrolment Services	0.6	60,279	7,356	67,635	1.0	102,379
Vice President Development and Enterprise	0.1	8,091	721	8,812	1.0	109,440
Vice President Curriculum and Instruction	1.0	97,094	11,269	108,363	1.0	109,191
Directors/Managers (average: 2001 - $70,167 2000 - $66,782)	42.9	2,579,832	430,334	3,010,166	43.1	2,878,291
Other salaried staff:						
Administration (average: 2001 - $50,545 2000 - $46,179)	17.0	735,885	123,378	859,263	12.5	577,232
Academic (average: 2001 - $61,566 2000 - $57,643)	190.7	10,272,605	1,468,059	11,740,664	186.2	10,733,052
Support (average: 2001 - $34,572 2000 - $32,252)	178.4	5,256,860	910,780	6,167,640	173.3	5,589,336
Non-salaried staff[f]						
Administration		97,363	11,806	109,169		126,964
Academic		4,676,105	580,229	5,256,334		4,865,833
Support		1,577,359	198,700	1,776,059		1,699,678
	432.7	25,633,520	3,764,418	29,397,938	420.1	27,071,765
Other payroll adjustments:						
Severance payments[g]		337,002	5,000	342,002		15,548
Vacation accruals		(48,053)	352	(47,701)		46,332
Pension accruals		-	-	-		(341,348)
Memberships and tuitions[h]		-	(4,662)	(4,662)		(11,628)
Local Authorities Pension Plan interest refunds		-	-	-		(2,051)
Federal youth hires rebate		-	-	-		(5,161)
Curriculum development costs in progress		(54,648)	(3,197)	(57,845)		-
Capital addition on new building		(8,521)	(637)	(9,158)		(932)
Co-operative Aquaculture Research Project		(165,022)	(25,432)	(190,454)		(195,863)
		$ 25,694,278	$ 3,735,842	$ 29,430,120		$ 26,576,662

Note 20 Salaries and Benefits (continued)

(a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2001 was 2,272 (2000 – 2,128).

(b) Salary includes regular base pay, overtime, shift differential, vacation pay, sick-time payments, honoraria and any other direct cash remuneration.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vacation payouts, vehicle allowances, professional memberships and remission of tuition fees.

(d) Board members include one representative from each of the academic and support staff and their stipends as Board members. Their salaries and benefits as full-time employees are included under other salaried staff.

(e) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.

(f) Non-salaried staff comprise individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.

(g) Severance payments include all monies paid, directly or on behalf of an employee, upon termination.

(h) Professional memberships and remission of tuition fees are disclosed as benefits. However, this adjustment reflects the payments that are being made out of accounts other than payroll.

Note 21 Related Party Transactions

a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are described in Notes 5, 10 and 16 to the combined financial statements.

b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 22). Certain administrative services are provided without charge to these entities.

Note 21 Related Party Transactions (continued)

c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board of Governors. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2001, the value of such services was $56,344 (2000 - $83,492).

d) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2001 was $40,789 (2000 - $43,534).

Note 22 Funds Held on Behalf of Others

Lethbridge Community College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2001	2000
Lethbridge Community College Students Association, clubs and activities	$ 470,787	$ 376,921
Chinook Educational Consortium	443,732	463,119
Associated agencies	120,535	161,930
Other programs and institutes	76,859	122,473
Agricultural programs and research projects	65,923	120,159
Professional development enhancement	-	29,632
	$ 1,177,836	$ 1,274,234

Note 23 Commitments and Contingencies

a) The College leases facilities and equipment with lease terms up to five years. The minimum operating lease payments for each of the next five fiscal years are as follows:

2002	$101,036
2003	63,203
2004	43,695
2005	10,080
2006	1,660

b) During the year, Lethbridge Community College undertook two major capital projects for the construction of a new instructional building and the expansion of campus residences. As at June 30, 2001, the College had commitments in relation to contracts for these projects as follows:

	Contract	Expended	Commitments
Instructional building:			
Consulting and architects	$ 620,723	$ 439,052	$ 181,671
General contractor	10,208,315	356,920	9,851,395
Other	32,519	32,519	-
	10,861,557	828,491	10,033,066
Residence:			
Consulting and architects	353,702	321,322	32,380
General contractor	5,801,657	3,502,047	2,299,610
Other	86,244	86,244	-
	6,241,603	3,909,613	2,331,990
Total construction projects	$ 17,103,160	$ 4,738,104	$ 12,365,056

c) As at June 30, 2001, outstanding pledges comprise the following:

Endowments	$ 132,675
Comprehensive fundraising campaign	1,440,451
Total	$ 1,573,126

Note 24 Budget

The College is required to submit annually, a budget plan approved by the College's Board of Governors, to the Minister of Alberta Learning for his approval. The budget plan for fiscal year 2001 was approved by the Board on May 17, 2000.

Note 25 Comparative Figures

Certain 2000 figures have been reclassified to conform to 2001 presentation.

Note 26 Approval of Combined Financial Statements

These combined financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Medicine Hat College

I have audited the consolidated statement of financial position of Medicine Hat College as at June 30, 2001 and the consolidated statement of operations, the consolidated statement of cash flows, and the consolidated statement of changes in net assets for the year then ended. These consolidated statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 13, 2001

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 1,667,754	$ 2,016,686
Accounts receivable	799,316	503,405
Inventories	281,829	273,474
Prepaid expenses	116,793	125,155
	2,865,692	2,918,720
Investments (Note 3)	16,899,060	6,176,407
Capital assets (Note 4)	22,094,930	22,977,577
	38,993,990	29,153,984
	$ 41,859,682	$ 32,072,704
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 821,686	$ 611,380
Accrued vacation pay	453,907	405,816
Unearned revenue (Note 5)	578,648	435,142
Deferred contributions (Note 6)	1,191,763	889,981
	3,046,004	2,342,319
Deferred capital contributions (Note 6)	10,380,490	1,298,726
Unamortized deferred capital contributions (Note 7)	16,013,739	16,921,296
	26,394,229	18,220,022
Net Assets:		
Unrestricted	1,891,820	1,343,456
Internally restricted (Note 8)	2,248,199	2,205,485
Invested in capital assets	6,081,191	6,056,281
	10,221,210	9,605,222
Endowments	2,198,239	1,905,141
	12,419,449	11,510,363
	$ 41,859,682	$ 32,072,704

The accompanying notes are part of these financial statements.

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 18)	Actual	Actual
Revenue:			
Grants (Note 6)	$ 13,091,609	$ 13,370,580	$ 12,400,392
Tuition and related fees	6,946,016	7,935,343	7,365,176
Donations (Note 6)	165,100	213,288	280,655
Investments (Note 11)	480,000	590,313	501,339
Sales, rentals and services	2,194,621	2,236,212	2,112,331
Amortization of deferred capital contributions	1,184,877	1,260,732	1,236,735
	24,062,223	25,606,468	23,896,628
Expense: (Note 12)			
Salaries and benefits (Note 15)	14,468,847	15,254,740	13,779,135
Supplies and services	5,892,216	5,848,067	6,239,526
Utilities	485,168	468,493	437,131
Scholarships and bursaries	200,000	240,809	229,189
Cost of goods sold	1,073,000	943,522	959,055
Amortization of capital assets	2,337,390	2,176,849	2,120,716
	24,456,621	24,932,480	23,764,752
Excess (deficiency) of revenue over expense	$ (394,398)	$ 673,988	$ 131,876

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess (deficiency) of revenue over expense	$ 673,988	-	-	-	673,988	$ 131,876
Transfers for:						
Acquisition of capital assets	(941,026)	-	941,026	-	-	-
Amortization of capital assets	916,116	-	(916,116)	-	-	-
Internal restrictions	(42,714)	42,714	-	-	-	-
Endowment	(58,000)	-	-	58,000	-	-
Endowment contributions	-	-	-	235,098	235,098	200,604
Increase (decrease) in Net Assets	548,364	42,714	24,910	293,098	909,086	332,480
Net Assets, beginning of year	1,343,456	2,205,485	6,056,281	1,905,141	11,510,363	11,177,883
Net Assets, end of year	$ 1,891,820	2,248,199	6,081,191	2,198,239	12,419,449	$ 11,510,363

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget	Actual	Actual
Operating activities:			
Excess (deficiency) of revenue over expense	$ (394,398)	$ 673,988	$ 131,876
Non-cash transactions:			
Amortization of capital assets	2,337,390	2,176,849	2,120,716
Amortization of long-term investment discount	-	12,812	15,729
Increase (decrease) in pension liability	-	-	(153,000)
Amortization of deferred capital contributions	(1,184,877)	(1,260,732)	(1,236,735)
	758,115	1,602,917	878,586
Net changes in non-cash working capital (Note 17)	54,715	407,781	(142,781)
Cash generated through operating activities	812,830	2,010,698	735,805
Investing activities:			
Acquisition of capital assets	(884,363)	(1,294,202)	(934,049)
Purchase of long-term investments	(370,593)	(10,735,465)	(357,644)
Cash used in investing activities	(1,254,956)	(12,029,667)	(1,291,693)
Financing activities:			
Capital contributions	174,181	353,175	197,358
Deferred capital contributions	1,513,874	9,081,764	1,298,726
Endowment contributions	200,000	235,098	200,604
Cash generated through financing activities	1,888,055	9,670,037	1,696,688
Increase in cash and short-term investments	1,445,929	(348,932)	1,140,800
Cash and short-term investments, beginning of year	2,016,686	2,016,686	875,886
Cash and short-term investments, end of year	$ 3,462,615	$ 1,667,754	$ 2,016,686

MEDICINE HAT COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Note 1 Authority and Purpose

Medicine Hat College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is exempt from payment of Income Tax under Section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta, for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices** (continued)

(b) Revenue Recognition (continued)

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Investments

Investments are recorded at cost or amortized cost. Gains and losses on investments are recognized at liquidation of securities, or when there is a permanent impairment in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets (continued)

Library acquisitions are recorded at cost and are comprised of books, audiovisual software and periodicals.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

(g) Pension Costs

The College participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for the College's participating employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

Financial instruments recognized in the consolidated statement of financial position consist of cash and short-term investments, accounts receivable, investments, accounts payable and deferred contributions.

The fair value of the financial instruments approximate their carrying amounts except as disclosed in Note 3.

Note 3 Cash and Investments

	2001				2000	
	Cash and Short-term Investments	Long-tem Investment	Total Cost	Market Value	Total Cost	Market Value
Cash on hand	$ 6,550	$ -	$ 6,550	$ 6,550	$ 6,750	$ 6,750
Bank balances	561,204	271,300	832,504	832,504	176,816	176,816
Term deposits	1,100,000	10,500,000	11,600,000	11,600,000	2,016,924	2,016,924
Bonds	-	5,146,943	5,146,943	5,171,273	5,069,681	5,100,476
Canadian Equities	-	597,576	597,576	734,195	501,753	598,485
Foreign Equities	-	383,241	383,241	399,560	421,169	448,066
	$ 1,667,754	$ 16,899,060	$ 18,566,814	$ 18,744,082	$ 8,193,093	$ 8,347,517

The Board of Governors has an approved investment policy. The investment objectives are the preservation of capital, stability and predictability of returns, and the maximization of return on investment. The approved policy restricts the type and amount of investments that may be purchased or held.

Funds determined to be short-term in nature are invested by College management. These investments must be issued by or fully secured by a Chartered Bank of Canada, the Treasury Branch of Alberta, an Alberta Credit Union backed by the Province of Alberta, the Federal Government, or any provincial government of Canada.

Securities acquired by management are further limited to cash equivalent securities rated "R1" or "A1" or higher, and fixed income securities "A (low)" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service.

Funds determined to be long-term in nature are invested by an external investment manager appointed by the Board of Governors. Securities acquired by the external manager are limited to cash equivalent securities rated "R1" or "A1" or higher, fixed income securities rated "A(low)" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. Corporate fixed income securities may not exceed 30% of the market value of funds being invested by the external manager, and any single corporate fixed income holding may not exceed 5% of the total value of corporate fixed income holdings. The external manager may also acquire equities when the market value of common stock exceeds $600,000,000 for a corporation. Equities may not exceed 20% of the market value of funds being invested by the external manager, and any single equity investment may not exceed 5% of the total value of all equity holdings.

The effective annual rate of interest for fixed income investments owned by the College at June 30 was 6.01% (2000 – 6.02%) using a weighted average calculation. All non-cash investments except Canadian and foreign equities held at June 30, 2001 have fixed maturity dates. Securities classified as cash and short-term investments will mature in less than one year. Securities classified as investments have maturity dates ranging from 1 to 48 years (2000 – 1 to 23 years), and a weighted average maturity of 8.5 years (2000 – 6.2 years).

Note 4 **Capital Assets**

During the year donated gifts-in-kind of furniture and equipment valued at $19,000 (2000 - $1,000) were capitalized.

	2001			2000
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,560,000	$ -	$ 1,560,000	$ 1,560,000
Buildings and renovations	35,283,739	19,438,378	15,845,361	16,693,816
Site Improvements	7,285,093	6,600,196	684,897	976,301
Furniture and equipment	9,493,339	6,717,941	2,775,398	2,684,626
Library acquisitions	3,434,055	2,612,590	821,465	806,747
Systems planning and development	321,294	60,992	260,302	256,087
Construction in progress	147,507	-	147,507	-
	$ 57,525,027	$ 35,430,097	$ 22,094,930	$ 22,977,577

Note 5 **Unearned Revenue**

	2001	2000
Tuition and related fees	$ 575,707	$ 424,399
Other	2,941	10,743
	$ 578,648	$ 435,142

Note 6 Deferred Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

	2001	2000
Contributions received and receivable:		
Grants	$ 22,584,630	$ 13,742,675
Donations	916,511	587,675
Investment income on contributions	195,666	112,528
	23,696,807	14,442,878
Transferred to revenue:		
Grants	(13,370,580)	(12,400,392)
Donations	(213,288)	(280,655)
Investments	(141,120)	(112,528)
	(13,724,988)	(12,793,575)
Transferred to:		
Endowments	(235,098)	(200,604)
Unamortized deferred capital contributions	(353,175)	(197,358)
	(588,273)	(397,962)
Increase during the year	9,383,546	1,251,341
Deferred Contributions, beginning of year	2,188,707	937,366
Deferred Contributions, end of year	$ 11,572,253	$ 2,188,707
The balance consists of funds restricted for:		
Short term:		
Scholarships	$ 391,145	$ 323,882
Other	800,618	566,099
	1,191,763	889,981
Long term:		
Infrastructure	10,380,490	1,298,726
Deferred Contributions, end of year	$ 11,572,253	$ 2,188,707

Note 7 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	2001	2000
Balance, beginning of year	$ 16,921,296	$ 17,960,673
Add amount transferred from deferred contributions	353,175	197,358
Less amount amortized to revenue	(1,260,732)	(1,236,735)
Balance, end of year	$ 16,013,739	$ 16,921,296

Note 8 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the board.

	2001	2000
Operating:		
Outstanding commitments	$ 143,022	$ 100,308
Capital:		
Student housing renewal	468,177	468,177
Campus renewal	1,350,000	1,350,000
Technology advancement	287,000	287,000
	2,105,177	2,105,177
	$ 2,248,199	$ 2,205,485

Note 9 Ancillary Services

	2001			2000
	Revenue	Expense	Net	Net
Bookstore	$ 1,278,382	$ 1,090,276	$ 188,106	$ 138,960
Cafeteria	55,571	11,301	44,270	28,672
Student residence	500,652	386,621	114,031	76,992
Parking	85,467	7,193	78,274	58,830
	$ 1,920,072	$ 1,495,391	$ 424,681	$ 303,454

Expense includes direct costs only.

Note 10 Related Parties

All members of the Medicine Hat College Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

Transactions in the current period between the College and the Province are as follows:

	2001			2000		
	Received and Receivable	Deferred (1)	Revenue	Received and Receivable	Deferred (1)	Revenue
Base grant	$ 11,631,897	$ -	$ 11,631,897	$ 11,024,322	$ -	$ 11,024,322
Envelope funding	9,174,725	9,174,725	-	1,323,906	1,323,906	-
Conditional grants	1,614,117	303,082	1,311,035	1,181,097	251,175	929,922
Transfer from deferred contributions	-	(236,766)	236,766	-	(107,943)	107,943
	$ 22,420,739	$ 9,241,041	$ 13,179,698	$ 13,529,325	$ 1,467,138	$ 12,062,187

(1) Deferred includes amounts that have been recorded as deferred contributions $9,367,435 (2000 – $1,406,346) and unamortized deferred capital contributions $110,372 (2000 – $168,734).

In addition to the above grant transactions, the College received $ 139,851 for an Energy Grant. This grant was not included above as it is understood the grant is repayable to the Province. Accordingly, the grant has been included in accounts payable at year end.

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 11 Investment Income

	2001	2000
Investment earnings on resources held for endowment	$ 141,120	$ 112,528
Other restricted investment income	54,546	-
Investment income on other sources	449,193	388,811
	644,859	501,339
Less - investment income deferred	54,546	-
Total investment income recognized as revenue	$ 590,313	$ 501,339

Note 12 Expense by Function

	2001	2000
Instruction	$ 12,066,920	$ 11,561,389
Academic Support	2,140,877	2,165,831
Student Services	2,224,042	1,958,777
Institutional support	1,616,538	1,486,545
Facility operations & maintenance	2,441,939	2,315,324
Ancillary services	1,495,391	1,548,938
Computing services	769,924	607,232
Amortization of capital assets	2,176,849	2,120,716
	$ 24,932,480	$ 23,764,752

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

Note 13 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 14 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $ 470,226 for the year ended June 30, 2001 (2000 - $ 417,299) and its eligible employees participate in the Local Authorities Pension Plan (LAPP). This plan is administered by the Alberta Pensions Administration Corporation and provide pensions for the College's employees based on years of service and earnings.

At December 31, 2000, the Local Authorities Pension Plan reported a surplus of $ 883,823,000 (1999 - $ 880,358,000).

Note 15 Salaries and Benefits

The Treasury Board's Salary and Benefits Disclosure Directive requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2001			2000
	Salaries and Wages[1]	Benefits[2]	Total	Total
Chairman of Board	$ 1,890	$ 110	$ 2,000	$ 1,956
Board (10 members)	13,749	402	14,151	15,230
President	105,000	15,651	120,651	120,405
Vice President, Student and College Services	93,722	11,839	105,561	99,605
Vice-President Academic	93,022	11,955	104,977	101,835
Dean, Arts	78,136	14,280	92,416	87,866
Dean, Health Studies	78,136	11,558	89,694	87,158

[1] Salaries include regular base pay, and any bonuses, overtime or lump sum payments where applicable.

[2] Benefits include the employer's share of all employee benefits and contributions made on behalf of employees.

Note 16 Funds Held on Behalf of Others

The College holds certain funds on behalf of the others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	2001	2000
Further Education Council	$ 24,728	$ 51,543
Student's Association	181,472	422,229
Interpretive Centre - Police Point Park	(28,308)	15,826
	$ 177,892	$ 489,598

Note 17 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ (295,911)	$ 15,270
Inventories	(8,355)	(19,484)
Prepaid expenses	8,362	(33,931)
Accounts payable and accrued liabilities	210,306	(135,171)
Accrued vacation pay	48,091	39,213
Unearned revenue	143,506	38,707
Deferred contributions	301,782	(47,385)
	$ 407,781	$ (142,781)

Note 18 Budget

The Operations budget was approved by the College's Board of Governors at their regular meeting on March 21, 2000 and the Cash Flows budget was approved on March 20, 2001.

Note 19 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Note 20 Subsequent Event – Campus Expansion Project

During the fiscal year the College received an $ 8,000,000 grant to build a multipurpose three story addition to the College. With the use of other infrastructure and Access funding, as well as proceeds from fundraising, the College approved a 2001-2002 budget to build the above addition, as well as a 32 bed residence in Brooks. The total approved budget for the above facilities is $16,368,000 with $9,750,000 budgeted to be spent in 2001-2002.

While no contractual commitments were in place at June 30, 2001 the College had spent $147,507 on planning and design costs (as reflected in construction-in-progress, in note 4).

In August of 2001 the College awarded a contract for the foundation of the multipurpose building valued at $250,000.

MOUNT ROYAL COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Mount Royal College

I have audited the statement of financial position of Mount Royal College as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly the financial position of the College as at June 30, 2001 and the result of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

November 2, 2001
Edmonton, Alberta

MOUNT ROYAL COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	2001	2000 (As restated, Note 3)
ASSETS		
Current:		
Cash and short-term investments (Note 4)	$ 41,697,663	$ 21,183,795
Accounts receivable	2,405,076	1,587,706
Inventories (Note 5)	669,058	631,193
Prepaid expenses	672,375	618,063
	45,444,172	24,020,757
Investments (Note 4)	93,030,970	18,500,293
Capital assets (Note 6)	68,544,946	65,238,156
	$ 207,020,088	$ 107,759,206
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 4,747,329	$ 3,392,367
Payable to the Government of Alberta (Note 23)	17,400,000	-
Deferred revenues	3,308,234	3,230,549
Accrued vacation pay	3,529,421	3,245,751
Deferred contributions (Note 7)	9,549,242	7,692,193
Current portion of long-term liabilities (Note 9)	216,316	125,618
Employee leave and retirement allowances	238,810	550,267
	38,989,352	18,236,745
Unamortized deferred capital contributions (Note 10)	61,575,257	57,977,735
Long term deferred contributions (Note 7)	4,952,480	4,876,161
Deferred capital contributions (Note 8)	73,499,237	1,697,167
Long-term liabilities (Note 9)	590,184	361,193
Long-term employee leave and retirement allowances	667,190	707,995
	180,273,700	83,856,996
Net assets:		
Unrestricted	2,571,710	2,562,447
Internally restricted (Note 13)	8,490,716	6,079,589
Investment in capital assets	6,163,188	6,773,610
Endowments (Note 12)	9,520,774	8,486,564
	26,746,388	23,902,210
	$ 207,020,088	$ 107,759,206

MOUNT ROYAL COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (As restated, Note 3)
Revenue		
Grants	$ 39,025,073	$ 35,808,281
Tuition and related fees	20,851,272	19,116,009
Community programs	14,424,628	13,686,581
Sales, rentals and services	9,231,432	8,309,923
Investment income (Note 14)	2,215,462	3,069,851
Donations and contributions	1,159,642	927,261
Earned capital contributions (Note 10)	3,828,148	3,663,420
	90,735,657	84,581,326
Expense (Note 17)		
Salaries and benefits (Note 18)	55,820,592	51,303,681
Supplies and services	21,783,717	20,807,703
Cost of goods sold	2,438,526	2,669,118
Utilities	2,818,934	2,200,747
Scholarships and bursaries	567,389	416,028
Amortization and loss on disposal of capital assets	5,496,531	6,131,844
	88,925,689	83,529,121
Excess of revenue over expense	$ 1,809,968	$ 1,052,205

MOUNT ROYAL COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001						2000
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 13)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total	Total
Excess of revenue over expense	$ 1,809,968	$ -	$ -	$ 1,809,968	$ -	$ 1,809,968	$ 1,052,205
Internally restricted increase (net)	(2,411,127)	2,411,127	-	-	-	-	-
Internally funded:							
Acquisition of capital assets	(801,643)	-	801,643	-	-	-	-
Payments on capital leases	(256,318)	-	256,318	-	-	-	-
Amortization and loss on disposal of capital assets	1,668,383	-	(1,668,383)	-	-	-	-
Contributions to endowments	-	-	-	-	1,034,210	1,034,210	1,360,913
Increase (decrease) in net assets	9,263	2,411,127	(610,422)	1,809,968	1,034,210	2,844,178	2,413,118
Balance, beginning of year	2,562,447	6,079,589	6,773,610	15,415,646	8,486,564	23,902,210	21,489,092
Balance, end of year	$ 2,571,710	$ 8,490,716	$ 6,163,188	$ 17,225,614	$ 9,520,774	$ 26,746,388	$ 23,902,210

MOUNT ROYAL COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (As restated, Note 3)
Operating Activities:		
Excess of revenue over expense	$ 1,809,968	$ 1,052,205
Non-cash transactions:		
Amortization and loss on disposal of capital assets	5,496,531	6,131,844
Change in pension obligation	-	(610,000)
Earned capital contributions (Note 10)	(3,828,148)	(3,663,420)
	3,478,351	2,910,629
Net change in non-cash working capital (Note 16)	290,324	6,112,236
Cash generated from operating services	3,768,675	9,022,865
Investing Activities:		
Decrease in amounts due to Mount Royal College	-	496,787
Construction payables (Note 16)	2,062,038	-
Acquisition of capital assets		
From internal funds	(801,643)	(1,288,922)
From long-term liabilities	(576,008)	-
From deferred contributions	(7,425,670)	(2,156,217)
Acquisition of investments, net	(74,530,677)	(2,480,451)
Increase in long-term deferred contributions	76,319	288,661
Cash used for investing activities	(81,195,641)	(5,140,142)
Financing activities:		
Payable to the Government of Alberta (Note 23)	17,400,000	-
Long-term employee leave and retirement allowances	(40,805)	(382,525)
Proceeds from (repayments of) long-term liabilities, net	319,689	(126,921)
Contributions to endowments	1,034,210	1,360,913
Capital contributions	78,961,058	2,589,508
Restricted investment income	266,682	-
Cash generated from financing activities	97,940,834	3,440,975
Increase in cash and short-term investments	20,513,868	7,323,698
Cash and short-term investments, beginning of year	21,183,795	13,860,097
Cash and short term investments, end of year	$ 41,697,663	$ 21,183,795

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College's mission is to foster the success and satisfaction of students in the pursuit of their educational goals. The College is a registered charity and is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Related Parties

Information relating to the Mount Royal College Foundation (the "Foundation" - incorporated under Part 9 of the Companies Act (Alberta) for the support and advancement of the College) and the Mount Royal College Day Care Society (the "Society" - incorporated under the Societies Act (Alberta) to provide day care services for students and employees of the College) is presented in Note 19. The financial position and results of operations of the Foundation and the Society are not consolidated with those of the College.

(b) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred/earned capital contributions revenue are matched to indicate that the related amortization expense has been funded and the capital contribution earned.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and then recognized as revenue in the period when the related expense is incurred. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

(c) Inventories

Inventories are valued at the lower of cost or net realizable value.

(d) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is a significant and permanent impairment in the value of an investment.

(f) Financial Instruments

The carrying value of cash, receivables, prepaids, inventories, payables, deferred revenues and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value.

Capital assets are amortized on a straight-line basis as follows:

Buildings	40 years
Leasehold improvements	7 years
Furnishings, equipment and library acquisitions	10 years
Computer equipment	3 to 5 years

(h) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Prior Period Adjustment

During the year, the College determined that certain building additions in previous years should not have been recorded as a capital asset of the College. As a result, the value of capital assets has been adjusted. This adjustment has been made retroactively and the prior period amounts have been restated as follows:

Note 3 Prior Period Adjustment (continued)

	As originally reported	Adjustments	As restated
Statement of Financial Position:			
Capital assets as at June 30, 2000	$ 68,788,090	(3,549,934)	$ 65,238,156
Capital assets as at June 30, 1999	$ 70,691,849	(2,766,987)	$ 67,924,862
Unamortized deferred capital contributions as at June 30, 2000	$ 61,527,669	(3,549,934)	$ 57,977,735
Unamortized deferred capital contributions as at June 30, 1999	$ 62,251,926	(2,766,987)	$ 59,484,939
Statement of Operations:			
Earned capital contributions for the year ended June 30, 2000	$ 3,827,075	(163,655)	$ 3,663,420
Amortization and loss on disposal of capital assets for the year ended June 30, 2000	$ 6,295,499	(163,655)	$ 6,131,844
Statement of Cash Flows:			
Amortization and loss on disposal of capital assets for the year ended June 30, 2000	$ 6,295,499	(163,655)	$ 6,131,844
Earned capital contributions for the year ended June 30, 2000	$ 3,827,075	(163,655)	$ 3,663,420
Acquisition of capital assets from deferred contributions for the year ended June 30, 2000	$ (3,102,818)	946,601	$ (2,156,217)
Capital contributions for the year ended June 30, 2000	$ 3,536,109	(946,601)	$ 2,589,508

Note 4 Cash and Investments

	2001		2000	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 101,133,861	$ 101,358,285	$ 8,036,241	$ 8,037,942
Federal, Provincial and Municipal Bonds	11,326,817	11,109,231	12,223,159	11,953,089
Corporate bonds	7,680,901	7,637,324	7,222,056	7,115,889
Equities - Canadian	8,919,462	11,029,117	5,897,080	8,085,901
Equities - foreign	5,667,592	6,135,799	6,305,552	7,324,842
	134,728,633	$ 137,269,756	39,684,088	$ 42,517,663
Held as long-term investments	93,030,970		18,500,293	
Held as cash and short-term investments	$ 41,697,663		$ 21,183,795	

The College's investment policy is to hold all bonds until their maturities. Within the investment portfolio, there are individual equities that are recorded in excess of their market value. The carrying value of these equities has not been written down to market value because management has concluded, based on a review of market information, that there is no obvious indication of a material impairment that is other than temporary.

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below.

	2001	2000
Endowments (Note 12)	$ 9,520,774	$ 8,486,564
Long-term deferred contributions (Note 7)	4,952,480	4,876,161
Deferred capital contributions (Note 8)	73,499,237	1,697,167
Internally restricted net assets, capital (Note 13)	5,058,479	3,440,401
	$ 93,030,970	$ 18,500,293

Note 4 Cash and Investments (continued)

The overall rate of return on cash and investments for the year was 6.3% (2000: 10.8%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	2001								2000	
	Less than 1 year	Effective Yield	1-5 Years	Effective Yield	Over 5 Years	Effective Yield	Total	Effective Yield	Total	Effective Yield
Cash and cash equivalents	$ 55,789,915	3.33%	$ 45,343,946	3.33%	$ -		$ 101,133,861	3.33%	$ 8,036,241	5.47%
Federal, Provincial and Municipal Bonds	-		3,416,058	6.18%	7,910,759	5.86%	11,326,817	5.92%	12,223,159	5.87%
Corporate Bonds	-		2,930,810	6.53%	4,750,091	3.41%	7,680,901	5.46%	7,222,056	6.91%
	$ 55,789,915		$ 51,690,814		$ 12,660,850		$ 120,141,579		$ 27,481,456	

The College Board of Governors (the "Board") has approved an investment policy. The primary investment objectives are the preservation of capital and the generation of a competitive total return.

The Board provides guidelines on asset mix, diversification, quality and nature of securities, and term of the fixed income. The current guidelines are as follows:

(a) Asset Mix

Cash equivalents	From 0% to 15% of total portfolio
Fixed income	From 30% to 70% of total portfolio
Equities	From 20% to 50% of total portfolio

At June 30, 2001 the asset mix of the total investment portfolio was outside the asset mix guidelines noted above. This was a result of a $95,000,000 investment that was held as a cash equivalent investment that will fund the College's campus expansion project. The variance from the approved investment policy was approved by the Board.

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income, and 35% equities. Further, it measures cash equivalent returns against the return from 90 day treasury bills, fixed income returns against the return for the Scotia McLeod Short Term Index, and equity returns against the return for the TSE 300 Index.

(b) Diversification - No more than 10% of the total portfolio may be invested in any one money market issuer other than investments guaranteed by the Government of Canada or the Province of Alberta. No more than 10% of the portfolio may be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A maximum of 5% of the portfolio may be invested in any one corporate bond issue. A maximum of 5% of the equity component may be invested in any one equity issue.

Note 4 Cash and Investments (continued)

(c) Quality and Nature of Securities - All money market securities are rated "R1" or "A1" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds are rated "A low" or higher at the time of purchase. Provincial bonds carry a rating of "A low" or higher by a recognized bond rating service.

(d) Term of the Fixed Income Portfolio – The average term range is three to five years. The portfolio is "laddered" with bonds having maturities between one and eight years.

Note 5 Inventories

	2001	2000
Bookstore	$ 586,370	$ 526,602
Printing	27,519	34,275
Smart Card	52,172	68,822
Food services	2,997	1,494
	$ 669,058	$ 631,193

Note 6 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value (as restated, Note 3)
Land	$ 3,614,256	$ -	$ 3,614,256	$ 3,614,256
Buildings	90,099,628	36,382,235	53,717,393	55,090,581
Furnishings and equipment	26,981,815	20,908,274	6,073,541	5,532,634
Library acquisitions	2,307,046	947,300	1,359,746	1,000,685
Leasehold improvements	282,340	282,340	-	-
Construction in progress	3,780,010	-	3,780,010	-
	$127,065,095	$58,520,149	$ 68,544,946	$ 65,238,156

Capital assets with a net book value of $8,934 (2000: $8,958) were written off during the year. The College had a loss on disposal of capital assets in the year of $7,837 (2000: $51,479).

Note 7 Deferred Contributions

	2001	2000
Contributions received during the year:		
Grants	$ 6,753,310	$ 8,090,000
Donations and other contributions	2,402,155	2,226,970
Transferred from deferred capital contributions (Note 8)	399,712	701,372
Transferred to revenue:		
Grants	(4,263,269)	(4,455,848)
Tuition and related fees	-	(388,087)
Investment income (Note 14)	(494,204)	(417,897)
Donations and contributions	(1,021,317)	(652,345)
Other	(57,758)	(33,489)
Transferred to unamortized deferred capital contributions (Note 10)	(1,735,932)	(834,718)
Transferred to endowments	(49,329)	(208,820)
Increase during the year	1,933,368	4,027,138
Balance, beginning of year	12,568,354	8,541,216
Balance, end of year	$ 14,501,722	$ 12,568,354

Unspent amounts at the end of the year are restricted for the following purposes:

	2001	2000
Current:		
Program support & scholarships	$ 2,655,550	$ 2,214,666
Conditionally funded programs	2,219,788	1,693,993
Maintenance and repairs	4,673,904	3,783,534
	9,549,242	7,692,193
Long-term:		
Special purpose program funding	4,952,480	4,876,161
	$ 14,501,722	$ 12,568,354

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

Note 8 Deferred Capital Contributions

	2001	2000
Contributions received during the year:		
Grants	$ 94,235,280	$ 1,481,988
Restricted investment income	266,682	-
Donations and other contributions	789,558	974,173
	95,291,520	2,456,161
Transferred to deferred contributions (Note 7)	(399,712)	(701,372)
Transferred to unamortized deferred capital contributions (Note 10)	(5,689,738)	(1,321,498)
Transferred to payable to the Government of Alberta (Note 23)	(17,400,000)	-
Increase during the year	71,802,070	433,291
Balance, beginning of the year	1,697,167	1,263,876
Balance, end of year	$ 73,499,237	$ 1,697,167

The balance at the end of year is restricted for the following purposes:

	2001	2000
Renovations and equipment replacement	$ 412,565	$ 1,697,167
Campus expansion	73,086,672	-
	$ 73,499,237	$ 1,697,167

Note 9 Long-term Liabilities

	2001	2000
Capital lease obligations	$ 806,500	$ 486,811
Less: current portion	216,316	125,618
	$ 590,184	$ 361,193

Note 9 Long-term Liabilities (continued)

The minimum annual payments under capital lease obligations are as follows:

2002	$ 301,670
2003	276,877
2004	275,617
2005	141,510
2006	11,417
2007	5,709
Total minimum lease payments	1,012,800
Less: imputed interest (average rate 10.9%)	206,300
Capital lease obligations	$ 806,500

During the year, interest expense of $46,379 (2000: $64,314) has been included in supplies and services expense.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets, which will be recognized as revenue in future periods.

	2001	2000 (As restated, Note 3)
Transferred from deferred contributions (Note 7)	$ 1,735,932	$ 834,718
Transferred from deferred capital contributions (Note 8)	5,689,738	1,321,498
Earned and transferred to revenue	(3,828,148)	(3,663,420)
Increase (decrease) during the year	3,597,522	(1,507,204)
Balance, beginning of year	57,977,735	59,484,939
Balance, end of year	$ 61,575,257	$ 57,977,735

Note 11 Pension Obligation (Employee Benefits)

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expenses equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's June 30, 2000 fiscal year, this change in accounting policy did not result in any changes to the College's June 30, 2000 operating results or opening net assets figure.

Note 12 Endowments

	2001	2000
External endowments	$ 9,322,222	$ 8,288,012
Internal endowments	198,552	198,552
	$ 9,520,774	$ 8,486,564

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Note 13 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	2001	2000
Operations:		
Academic program development	$ 1,093,095	$ 952,808
Campus and informaton systems development	676,275	676,895
College effectiveness	112,306	155,403
Community needs	28,244	28,901
Early retirement	65,123	65,123
Institutional evaluation	8,448	8,448
Professional development	170,855	170,855
Scholarships and bursaries	88,857	135,243
Research and special projects	992,696	240,048
Student success/satisfaction	196,338	205,464
	3,432,237	2,639,188
Capital:		
Capital renewal	1,100,000	500,000
Residence	3,133,479	2,940,401
Parking	825,000	-
	5,058,479	3,440,401
Total	$ 8,490,716	$ 6,079,589

Note 14 Investment Income

	2001	2000
Investment income from restricted balances	$ 282,689	$ 22,953
Investment income from endowments	620,238	858,454
	902,927	881,407
Less: income deferred	408,723	463,510
Investment income from restricted sources (Note 7)	494,204	417,897
Investment income from unrestricted sources	1,721,258	2,651,954
Investment income	$ 2,215,462	$ 3,069,851

Note 15 Pension Costs (Employee Benefits)

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,866,364 for the year ended June 30, 2001 (2000: $1,713,004).

Note 16 Net Change in Non-Cash Working Capital

	2001	2000
Current:		
Accounts receivable	$ (817,370)	$ 831,696
Inventories	(37,865)	(93,869)
Prepaid expenses	(54,312)	(81,704)
Accounts payable and accrued liabilities	1,354,962	510,469
Deferred revenues	77,685	710,539
Accrued vacation pay	283,670	239,575
Deferred contributions	1,857,049	3,738,477
Employee leave allowance	(311,457)	257,053
	2,352,362	6,112,236
Less:		
Construction payables	2,062,038	-
	$ 290,324	$ 6,112,236

Note 17 Expense by Function of Expenditure

	2001	2000
Instruction	$ 38,999,635	$ 36,833,850
Academic support	8,407,309	7,943,160
Student services	5,727,094	5,467,230
Institutional support	8,481,169	7,413,676
Facility operations and maintenance	12,208,255	10,439,015
Ancillary services	5,776,006	5,718,716
Computing Services	3,829,690	3,581,630
Amortization and loss on disposal of capital assets	5,496,531	6,131,844
	$ 88,925,689	$ 83,529,121

Note 18 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

	2001		
	Salaries(1)	Benefits(2)	Total
Chairman	$ 5,760	$ 11	$ 5,771
Board Members	16,540	515	17,055
	22,300	526	22,826
President(3,4)	173,904	71,091	244,995
Vice-President, Academic(4)	121,705	32,483	154,188
Vice-President, Administrative Services (4)	108,700	22,934	131,634
Vice-President, Student Affairs and Campus Life(4)	107,265	33,698	140,963
Director, Human Resources	97,920	11,451	109,371
	609,494	171,657	781,151
	$ 631,794	$ 172,183	$ 803,977

Note 18 Salaries and Benefits (continued)

	2000		
	Salaries(1)	Benefits(2)	Total
Chairman	$ 5,760	$ 29	$ 5,789
Board members	19,440	286	19,726
	25,200	315	25,515
President(3,4)	167,215	49,914	217,129
Vice-President, Academic(4)	116,969	27,039	144,008
Vice-President, Administrative Services (4)	122,929	63,006	185,935
Assistant Vice-President, Academic (4)	94,153	14,287	108,440
Director, Human Resources	85,732	8,180	93,912
	586,998	162,426	749,424
	$ 612,198	$ 162,741	$ 774,939

(1) Salaries include base pay, bonuses, overtime, lump sum payments, honoraria, research grants and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including vacation pay-outs, Canada Pension Plan contributions, Employment Insurance, long and short term disability plans, sabbaticals or other special leaves with pay, car allowances and club memberships.

(3) The President has a place on the Board for which he receives no remuneration.

(4) The President's and Vice-Presidents' benefits include leave and retirement plan amounts earned, but not paid, in the year which, for the President represents 76% of total benefits in 2001 (55% for 2000), for the Vice-President Academic 47% in 2001 (33% in 2000), and for the Vice-President Administrative Services 39% in 2001. The College provides a vehicle to the President the value of which is not included in benefits. The Vice-President Academic, the Vice-President Administrative Services and the Vice-President Student Affairs and Campus Life all receive a car allowance, the value of which is included in benefits. The amount reported for the Vice-President Student Affairs and Campus Life includes amounts paid to two separate individuals. The former Assistant Vice President Academic left the College in August 2000 and a new position, Vice President Student Affairs and Campus Life, was created. The amount reported for this new position includes the salary, benefits and payouts associated with these two individuals.

Note 19 Related Party Transactions

a) Mount Royal College Foundation

The Foundation is a registered charitable organization directed to the support and advancement of the College. Financial highlights of the Foundation for the year ended June 30, 2001 are as follows:

	2001	2000
Statement of Financial Position		
Total assets	$ 316,227	$ 100,497
Current liabilities	$ 260,788	$ 34,823
Deferred contributions	16,339	-
Equity	39,100	65,674
	$ 316,227	$ 100,497
Statement of Operations		
Revenue		
Contributions from the College	$ 397,946	$ 968,085
Donations	2,722,999	2,740,265
Other	681,065	200,679
	3,802,010	3,909,029
Expense		
Donations transferred to the College	2,919,172	2,817,865
Other expense	719,483	505,005
Fundraising costs	190,423	69,249
	3,829,078	3,392,119
Excess (deficiency) of revenue over expense	$ (27,068)	$ 516,910
Statement of Cash Flows		
Cash generated from operating activities	$ 100,684	$ 71,807
Cash used in investing activities	(1,084)	(20,000)
Cash generated from (used in) financing activities	494	(476,787)
Increase (decrease) in cash	100,094	(424,980)
Cash, beginning of the year	58,310	483,290
Cash, end of the year	$ 158,404	$ 58,310

Note 19 Related Party Transactions (continued)

a) Mount Royal College Foundation (continued)

The Foundation is economically dependent on the College.

b) Mount Royal College Day Care Society

The Society is an organization operated to provide day care services for students and employees of the College, as well as members of the general public. Financial highlights of the Society for the year ended June 30, 2001 are as follows:

	2001	2000
Statement of Financial Position		
Total assets	$ 78,725	$ 80,199
Total liabilities	$ 53,412	$ 42,765
Net assets	25,313	37,434
	$ 78,725	$ 80,199
Statement of Operations		
Revenue		
Fees	$ 463,839	$ 426,449
Grants	52,823	44,791
Other	42,600	36,752
	559,262	507,992
Expense		
Salaries and benefits	472,948	427,446
Other expense	98,435	94,010
	571,383	521,456
Deficiency of revenue over expense	$ (12,121)	$ (13,464)
Statement of Cash Flows		
Cash generated from (used for) operating activities	$ 63	$ (6,612)
Cash used for investing activities	(18,607)	(1,728)
Cash generated from financing activities	15,445	1,728
Decrease in due from Mount Royal College	(3,099)	(6,612)
Due from Mount Royal College, beginning of year	33,395	40,007
Due from Mount Royal College, end of year	$ 30,296	$ 33,395

Note 19 Related Party Transactions (continued)

c) Other Related Parties

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed as follows:

	2001		2000	
	Revenue	Deferred Contributions and Unamortized Deferred Capital Contributions	Revenue	Deferred Contributions and Unamortized Deferred Capital Contributions
Operating grant	$ 28,562,092	$ -	$ 27,517,574	$ -
Performance funding envelope	3,157,100	-	2,048,798	-
Learning enhancement envelope	311,209	576,665	188,311	862,679
ACCESS funding - programs	2,423,302	1,158	1,461,480	-
ACCESS funding - one-time	1,218,046	6,202,337	545,257	3,028,742
Infrastructure renewal envelope	1,442,723	2,615,294	1,895,462	2,950,303
Calgary Conjoint Nursing Program	984,588	-	954,469	574,594
Knowledge networks envelope	112,066	30,323	314,959	296,151
Campus expansion	-	76,866,682	-	-

At June 30, 2001, the College had a payable to the Government of Alberta for $17,400,000 (2000: $Nil).

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

Note 20 Commitments

(a) The College leases facilities within Calgary with lease terms of up to ten years. All of these leases expire within the next four years. The minimum operating lease payments for each of the four succeeding fiscal years are as follows:

2002	$ 1,381,597
2003	$ 1,354,171
2004	$ 1,032,726
2005	$ 917,442

Note 20 Commitments (continued)

(b) As at June 30, 2001 the College has commitments of $18,961,214 for capital and expansion projects.

Note 21 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Alberta Learning for approval. The budget/business plan for fiscal year 2000/2001 was approved by the Board on June 5, 2000 and submitted to the Minister thereafter.

	Budget
Revenue	
Grants	$ 34,859,293
Tuition and related fees	20,855,893
Community programs	12,247,976
Sales, rentals and services	11,962,917
Investment income	1,319,902
Donations and contributions	388,171
Earned capital contributions	4,000,000
	$ 85,634,152
Expense	
Salaries and benefits	$ 56,823,832
Supplies and services	14,956,602
Cost of goods sold	5,281,202
Utilities	1,477,255
Scholarships and bursaries	66,600
Amortization	5,000,000
	$ 83,605,491

Note 22 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 23 Subsequent Event

During the year, the College received a $94,000,000 grant from Alberta Infrastructure for construction costs related to the expansion of its campus. Subsequent to the College's June 30, 2001 year end, the Government of Alberta announced the postponement of $17,400,000 of capital projects currently underway at the College relating to the College's campus expansion. As a result, $17,400,000 of the capital grant has been recorded as payable to the Government of Alberta at June 30, 2001.

Note 24 Approval of Financial Statements

The Board has approved these financial statements.

NORQUEST COLLEGE

FINANCIAL STATEMENTS

June 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flow

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of NorQuest College

I have audited the statement of financial position of NorQuest College (the "College") as at June 30, 2001 and the statements of operations, statement of changes in net assets, and the statement of cash flow for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 3, 2001

NORQUEST COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 5,597,683	$ 4,057,455
Accounts receivable	1,360,121	1,217,300
Inventories	120,859	118,460
Prepaid expenses	122,958	135,580
	7,201,621	5,528,795
Non-current cash and cash equivalents (Note 3)	3,916,599	4,234,764
Capital assets (Note 4)	20,049,362	18,077,542
	$ 31,167,582	$ 27,841,101
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,198,827	$ 1,045,042
Accrued vacation pay	2,023,596	1,812,577
Unearned revenue (Note 5)	736,294	555,710
Deferred contributions (Note 6)	1,271,794	663,762
	5,230,511	4,077,091
Deferred capital contributions (Note 7)	36,528	1,192,664
Unamortized deferred capital contributions (Note 9)	15,551,554	14,289,856
	20,818,593	19,559,611
Net Assets:		
Unrestricted	493,290	318,113
Internally restricted (Note 10)	5,040,891	3,930,692
Invested in capital assets	4,497,808	3,787,685
	10,031,989	8,036,490
Endowments (Note 11)	317,000	245,000
	10,348,989	8,281,490
	$ 31,167,582	$ 27,841,101

NORQUEST COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants and other provincial government contributions (Note 12)	$ 16,278,357	$ 17,447,213	$ 15,611,716
Tuition and related fees	7,688,370	7,450,325	5,971,354
Contract programs and services	1,923,428	2,318,954	1,792,108
Other sales, services and rental income	1,804,772	2,302,980	1,737,201
Amortization of deferred capital contributions (Note 9)	1,000,000	1,054,841	800,380
Interest income (Note 14)	250,000	518,630	459,513
Donations and contributions	-	16,557	15,019
	28,944,927	31,109,500	26,387,291
Expense (Note 15):			
Salaries, wages and benefits (Note 16)	19,784,059	20,822,607	17,290,667
Supplies and services	2,402,202	1,951,133	1,653,178
Amortization and loss on disposal	1,200,000	1,396,488	1,126,671
Purchases for resale	668,300	986,080	911,787
Leases and rentals	630,634	953,165	1,455,809
Contracted services	1,031,877	947,328	1,146,265
Repairs and maintenance	848,340	720,131	599,016
Marketing	345,680	467,428	387,563
Utilities	396,000	406,986	302,197
Telecommunications	316,425	290,157	293,793
Professional development	237,525	158,723	107,404
Scholarships and bursaries	-	13,775	9,650
	27,861,042	29,114,001	25,284,000
Excess of revenue over expense	$ 1,083,885	$ 1,995,499	$ 1,103,291

NORQUEST COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 1,995,499	$ -	$ -	$ -	$ 1,995,499	$ 1,103,291
Endowment contributions	-	-	-	72,000	72,000	20,000
Contributed land	-	-	-	-	-	2,540,000
Transfers for:						
Acquisition of internally funded capital assets	(1,070,474)	-	1,070,474	-	-	-
Net book value of capital assets disposed	4,018	-	(4,018)	-	-	-
Amortization of internally funded capital assets	356,333	-	(356,333)	-	-	-
Board appropriations (Note 10)	(2,329,456)	2,329,456	-	-	-	-
Amount expended (Note 10)	1,219,257	(1,219,257)	-	-	-	-
Increase in net assets	175,177	1,110,199	710,123	72,000	2,067,499	3,663,291
Net assets, beginning of period	318,113	3,930,692	3,787,685	245,000	8,281,490	4,618,199
Net assets, end of period	$ 493,290	$ 5,040,891	$ 4,497,808	$ 317,000	$ 10,348,989	$ 8,281,490

NORQUEST COLLEGE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 1,995,499	$ 1,103,291
Non-cash transactions:		
Amortization of capital assets - externally funded	1,049,452	697,498
Amortization of capital assets - internally funded	356,333	253,342
Amortization of deferred capital contributions (Note 9)	(1,054,841)	(800,380)
(Gain) Loss on disposal of capital assets	(9,297)	175,831
	2,337,146	1,429,582
Changes in working capital:		
Accounts receivable	(142,821)	(316,697)
Inventories	(2,399)	4,780
Prepaid expenses	12,622	34,990
Accounts payable and accrued liabilities	153,785	(193,803)
Accrued vacation pay	211,019	247,783
Unearned revenue	180,584	165,886
Deferred contributions	608,032	(818,096)
	1,020,822	(875,157)
Cash provided by operating activities	3,357,968	554,425
Investing activities:		
Proceeds on disposal of capital assets	18,705	5,910
Decrease (Increase) in non-current cash and cash equivalents - net	318,165	(1,977,060)
Acquisition of capital assets - internally funded	(1,070,474)	(702,380)
Acquisition of capital assets - externally funded	(2,316,539)	(15,589,895)
Cash applied to investing activities	(3,050,143)	(18,263,425)
Financing activities:		
Capital contributions received (Note 7)	1,150,804	1,640,158
Endowment contributions	72,000	20,000
Contributed land	-	2,540,000
Contributed buildings	-	12,160,000
Donated equipment	9,599	7,450
Cash generated from financing activities	1,232,403	16,367,608
Increase (decrease) in cash	1,540,228	(1,341,392)
Cash and cash equivalents at beginning of period	4,057,455	5,398,847
Cash and cash equivalents at end of period	$ 5,597,683	$ 4,057,455

NORQUEST COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

Note 1 Authority and Purpose

NorQuest College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. On August 25, 1999 the Lieutenant Governor in Council approved the name change of Alberta Vocational College – Edmonton to NorQuest College.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases in Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets as Endowments.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned. Investment income subject to external restrictions is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	15 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

Capital assets transferred from the Department of Learning are amortized over their useful life from the date originally acquired by the Department of Learning. Buildings transferred from the Department of Infrastructure are amortized over their estimated remaining useful lives from the date acquired by the College.

(d) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(e) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of costs of services provided by the Ministry of Alberta Infrastructure is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of the fair value represented by Ministry of Alberta Infrastructure's amortization cost of the buildings occupied by the College, an estimate of the fair value of buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(f) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

Note 3 Cash and Cash Equivalents (current and non-current)

a) Included in cash and cash equivalents is $7,796,905 (2000 - $6,945,739) invested in a Cash Management Fund ("CMF"), a pooled unit trust administered by RT Capital Management Inc.. This CMF offers daily liquidity via a pooled money market fund. Its primary objective is preservation of capital. The CMF invests only in Federal and Provincial Treasury Bills and Bankers Acceptances. No more than 5% is invested in any one financial institution. The CMF is managed around a term of 40-180 days.

The effective annualized yield of the CMF for the year ending June 30, 2001 was 4.83% (2000 - 5.72%). The weighted average term was 133 days. The benchmark for the CMF is the 91 day Treasury Bill Index.

The weighted average annual return for the College, net of expenses, was 5.41% (2000 - 4.97%).

Effective yields represent the rate which discounts future cash receipts to the carrying value at June 30, 2001.

b) Non-current cash and cash equivalents comprise:

	2001	2000
Internally restricted for capital purposes	$ 3,563,071	$ 2,797,100
Externally restricted for capital purposes	36,528	1,192,664
Endowments	317,000	245,000
	$ 3,916,599	$ 4,234,764

Note 4 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,540,000	$ -	$ 2,540,000	$ 2,540,000
Buildings and site improvements	14,726,377	591,607	14,134,770	12,930,667
Computer hardware	2,923,069	1,472,868	1,450,201	1,143,744
Computer software	1,079,470	306,029	773,441	649,891
Rental books	710,799	515,000	195,799	160,209
Furniture, equipment and vehicles	794,588	178,283	616,305	307,222
Library collection	588,528	249,682	338,846	345,809
	$ 23,362,831	$ 3,313,469	$ 20,049,362	$ 18,077,542

Software includes licence fees and direct costs dedicated to the Agresso financial systems development project.

Capital assets transferred from the Department of Learning were recorded at the net carrying amount at September 1, 1997, the date of transfer.

Ownership of the main campus land and buildings was transferred to the College from the Department of Infrastructure on March 31, 2000 for consideration of $1.00. The land and buildings were recorded at a fair market value of $2,540,000 and $12,160,000, respectively, as determined by an independent appraisal. The Province's net book value at March 31, 2000 was $2,268,419.

Note 5 Unearned Revenue

	2001	2000
Tuition fees	$ 703,430	$ 527,057
Contract programs	23,632	20,830
Ancillary services and other	9,232	7,823
	$ 736,294	$ 555,710

Note 6 Deferred Contributions

The deferred contribution balance represents amounts accounted for in accordance with the policy described in Note 2(a).

	2001	2000
Restricted donations and contributions received during the year:		
Conditional grants	$4,521,954	$ 2,436,627
Donations and contributions	56,991	10,609
Interest income (Note 14)	9,924	14,187
	4,588,869	2,461,423
Transferred to revenue:		
Conditional grants, Learning (Note 12)	(1,460,888)	(408,313)
Conditional grants, Government of Canada (Note 12)	(1,603,932)	(1,570,519)
Conditional grants, Health and Wellness (Note 12)	(205,884)	-
Conditional grants, Other (Note 12)	(5,567)	(46,223)
Donations and contributions	(1,521)	(26,409)
Interest (Note 14)	(11,537)	(11,114)
	(3,289,329)	(2,062,578)
Transferred to deferred capital contributions (Note 7)	(604,927)	(1,216,941)
Transfer remaining energy grant to accounts payable	(86,581)	-
	(691,508)	(1,216,941)
Increase (Decrease) during the year	608,032	(818,096)
Balance at beginning of year	663,762	1,481,858
Balance at end of year	$1,271,794	$ 663,762

The balance consists of funds restricted for:

	2001	2000
Health careers expansion	$1,020,512	$ -
Scholarships and bursaries	105,750	51,893
Instructional resources	80,125	168,848
Aboriginal practical nurse	21,047	-
Testbank conversion	18,902	19,204
Practical nursing curriculum	10,930	7,580
Pre-trades installer	8,098	22,232
Alberta North	5,327	5,000
Safety training curriculum	1,103	11,812
Learning enhancement	-	338,149
Language training	-	39,044
	$1,271,794	$ 663,762

Note 7 Deferred Capital Contributions

	2001	2000
Conditional grants - Department of Infrastructure	$ 545,877	$ 423,217
Transferred from deferred contributions (Note 6)	604,927	1,216,941
	1,150,804	1,640,158
Transferred to unamortized deferred capital contributions (Note 9)	(2,306,940)	(883,070)
	(1,156,136)	757,088
Balance at beginning of year	1,192,664	435,576
Balance at end of year	$ 36,528	$ 1,192,664

The balance consists of funds restricted for:

	2001	2000
Agresso financial system development	$ 36,528	$ 152,073
Renovation projects	-	824,316
Technology renewal projects	-	216,275
	$ 36,528	$ 1,192,664

Note 8 Pension Costs

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $861,304 for the year ended June 30, 2001 (2000 - $669,950).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 - $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 - $517,020,000).

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a).

	2001	2000
Balance at beginning of year	$ 14,289,856	$ 2,039,716
Amortization of deferred capital contributions	(1,054,841)	(800,380)
Transferred from deferred capital contributions (Note 7)	2,306,940	883,070
Contributed buildings	-	12,160,000
Donated equipment	9,599	7,450
Balance at end of year	$ 15,551,554	$ 14,289,856

Note 10 Internally Restricted Net Assets

Internally restricted net assets represent amounts restricted by the College Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2001			
	Opening	Appropriations	Expended	Closing
Capital:				
Facilities	$ 1,921,128	$ 570,380	$ (304,409)	$ 2,187,099
Infrastructure renewal	625,972	500,000	-	1,125,972
Systems development	250,000	-	-	250,000
	2,797,100	1,070,380	(304,409)	3,563,071
Strategic investment	272,862	200,938	(90,525)	383,275
Technology renewal	250,000	350,000	(273,934)	326,066
Equipment	196,280	200,000	(76,348)	319,932
Organizational development	145,100	300,000	(226,781)	218,319
Curriculum development	-	200,000	-	200,000
Scholarships	26,409	8,138	(4,319)	30,228
Operational	242,941	-	(242,941)	-
Totals	$ 3,930,692	$ 2,329,456	$ (1,219,257)	$ 5,040,891

Note 11 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2001	2000
Externally restricted for scholarships and bursaries	$ 196,000	$ 124,000
Internally restricted:		
Scholarships and bursaries	84,000	84,000
Literacy	27,000	27,000
Graduation	10,000	10,000
	121,000	121,000
	$ 317,000	$ 245,000

Note 12 Grants and Other Provincial Government Contributions

	2001	2000
Department of Learning:		
General operating grant	$ 13,415,927	$ 12,399,434
Performance envelope	366,280	366,177
Conditional grants (Note 6)	1,460,888	408,313
Department of Infrastructure		
Contributions in kind (Note 18)	388,735	821,050
Department of Health and Wellness (Note 6)	205,884	-
Government of Canada (Note 6)	1,603,932	1,570,519
Other conditional grants (Note 6)	5,567	46,223
	$ 17,447,213	$ 15,611,716

Note 13 Ancillary Services

	2001				2000
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue:					
Other sales, services and rental income	$ 1,192,996	$ 897,146	$ 83,540	$ 2,173,682	$ 1,640,564
Contract programs and services	-	-	117,572	117,572	72,642
Tuition and related fees	-	-	86,697	86,697	67,067
Amortization of deferred capital contributions	-	47,745	-	47,745	143,536
	1,192,996	944,891	287,809	2,425,696	1,923,809
Expense (Note 15)	(1,153,714)	(444,553)	(259,417)	(1,857,684)	(1,721,587)
Net	39,282	500,338	28,392	568,012	202,222
Indirect expenses	(32,223)	(32,223)	-	(64,446)	(57,712)
Excess	$ 7,059	$ 468,115	$ 28,392	$ 503,566	$ 144,510

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking and cost recovery assessment services.

Note 14 Interest Income

	2001	2000
Interest earnings	$ 517,017	$ 462,586
Add deferred amounts expended (Note 6)	11,537	11,114
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 6)	(9,924)	(14,187)
Total interest income recognized as revenue	$ 518,630	$ 459,513

Note 15 Expense by Function

	2001	2000
Instruction	$12,251,200	$10,330,854
Academic support	4,481,259	3,357,924
Facilities operations and maintenance	3,836,722	3,963,364
Student services	2,980,685	2,443,369
Institutional support	2,628,973	2,339,368
Ancillary services (Note 13)	1,857,684	1,721,587
Computing, network and communications	1,077,478	1,127,534
	$29,114,001	$25,284,000

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Ancillary services include self supporting revenue producing services provided to students and faculty or staff.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2001			2000
	Salary[1]	Benefits and Allowances[2]	Total	Total
Chairman of the Board	$ 2,400	$ -	$ 2,400	$ 2,406
Board Members	14,500	-	14,500	14,138
President	107,092	14,427	121,519	115,367
Vice President - Instruction	91,079	13,119	104,198	97,109
Vice President - College Services	91,229	14,404	105,633	98,651
Director - Academic Upgrading	76,529	13,437	89,966	86,320
Director - Language Training	73,471	13,157	86,628	80,251
	$ 456,300	$ 68,544	$ 524,844	$ 494,242

1) Salaries and benefits represent the actual salary and benefits expense and include base pay, overtime pay, directors fees and other direct cash remuneration.

2) Benefits and allowances include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, accrued vacation and professional memberships required for employment.

Note 17 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2002	$ 1,447,504
2003	407,025
2004	215,940
2005	152,377
2006 and thereafter	59,354

Included in the above is a major contract to provide facility maintenance services. The contract is for the period December 1, 1999 to June 30, 2002. The total outstanding commitment at June 30, 2001 is $990,000.

Note 18 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. In accordance with the accounting policy described in Note 2 (e), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2001	2000	2001	2000
Revenues:				
Grants and other provincial government contributions	$15,837,715	$13,994,974	$ -	$ -
Contract programs	1,111,317	1,052,093	660,866	232,301
Amortization of deferred capital contributions	1,052,451	798,949	-	-
Other sales, services and rental income	483	-	45,645	17,334
	$18,001,966	$15,846,016	$ 706,511	$ 249,635
Expenses	$ -	$ 81,236	$ 37,443	$ 336,758
Contributions in kind	388,735	821,050	-	-
	$ 388,735	$ 902,286	$ 37,443	$ 336,758
Accounts receivable	$ 571,638	$ 551,913	$ 106,006	$ 73,892
Accounts payable	$ 86,581	$ 34,999	$ -	$ 28,269
Unearned revenue	$ -	$ 20,830	$ -	$ -
Deferred contributions	$ 1,167,413	$ 1,733,705	$ 35,159	$ 31,783
Unamortized deferred capital contributions	$15,532,156	$14,268,067	$ -	$ -

Contributions in kind from the Department of Infrastructure include an estimation of the value of the amortization cost for buildings owned by Department of Infrastructure but used by the College to March 31, 2000, at which time ownership was transferred to the College (Note 4). It also includes an estimate of the fair value of the buildings leased by the College from the Department of Infrastructure at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. As at June 30, 2001, this Corporation was not active.

Note 19 Budget

The Board of Governors approved the College's annual budget on May 15, 2000.

	Board Approved Budget	Reclassification and restatement	Reported Budget
Revenue:			
Grants and other provincial government contributions	$ 14,180,826	$ 2,097,531	$ 16,278,357
Tuition and related fees	7,608,982	79,388	7,688,370
Contract programs and services	3,624,606	(1,701,178)	1,923,428
Other sales, services and rental income	-	1,804,772	1,804,772
Amortization of deferred capital contributions	1,000,000	-	1,000,000
Interest income	250,000	-	250,000
Donations and contributions	-	-	-
Business services	1,484,016	(1,484,016)	-
Other	407,762	(407,762)	-
	28,556,192	388,735	28,944,927
Expense:			
Salaries, wages and benefits	19,784,059	-	19,784,059
Supplies and services	3,418,612	(1,016,410)	2,402,202
Amortization and loss on disposal	1,200,000	-	1,200,000
Purchases for resale	667,700	600	668,300
Leases and rentals	409,431	221,203	630,634
Contracted services	-	1,031,877	1,031,877
Repairs and maintenance	322,200	526,140	848,340
Marketing	360,300	(14,620)	345,680
Utilities	396,000	-	396,000
Telecommunications	268,300	48,125	316,425
Professional development	227,825	9,700	237,525
Scholarships and bursaries	-	-	-
Furniture and equipment	661,348	(661,348)	-
Internally restricted	570,380	(570,380)	-
Operating contingency	280,000	(280,000)	-
	28,566,155	(705,113)	27,861,042
Excess (Deficiency) of revenue over expense	$ (9,963)	$ 1,093,848	$ 1,083,885

The approved budget was reclassified to conform to financial statement classifications of revenue and expense, and it was also restated. Restatements included:

a) Removal of $811,348 from expenses representing the budgeted amount for capital asset acquisitions.

b) Removal of $282,500 from expenses representing the budgeted amount for internal transfers and operating contingency.

c) An increase in both expenses and revenues of $388,735 representing estimates of contributions in kind from the Provincial Government which were not included in the budget.

Note 20 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	2001	2000
NorQuest College Faculty Association	$ 89,099	$ 78,437
NorQuest College Students' Association	29,487	26,128
NorQuest College Staff Social Fund - Spirit Planners	5,970	3,045
Marine Biology Student Fund	24	843
	$ 124,580	$ 108,453

Note 21 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 22 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

NORTHERN LAKES COLLEGE

Financial Statements

Ten months ended June 30, 2001

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Northern Lakes College

I have audited the consolidated statement of financial position of Northern Lakes College as at June 30, 2001 and the consolidated statements of operations, the consolidated statement of changes in net assets, and the consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly in all material respects, the financial position of the College as at June 30, 2001 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 28, 2001

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2001

	2001	2000 (As Restated Note 4)
ASSETS		
Current:		
Cash	$ 5,745,000	$ 6,230,997
Accounts receivable	661,264	702,789
Inventories	124,143	103,219
Prepaid expenses	92,261	53,747
	6,622,668	7,090,752
Non-current cash (Note 5)	184,727	867,992
Investments (Note 6)	429,534	298,963
Capital assets (Note 7)	31,749,497	30,197,739
	$38,986,426	$38,455,446
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,008,700	$ 749,941
Accrued vacation pay	1,781,982	1,622,546
Unearned revenue (Note 8)	49,440	86,712
Deferred contributions (Note 9)	946,779	1,503,075
Security deposits held	11,490	11,411
Current portion of capital lease obligation (Note 11)	16,370	-
	3,814,761	3,973,685
Deferred capital contributions (Note 10)	119,727	822,992
Long-term portion of capital lease obligation (Note 11)	80,577	-
Unamortized deferred capital contributions (Note 12)	28,101,471	27,325,318
	32,116,536	32,121,995
Net assets:		
Operating		
Unrestricted net assets	3,242,429	3,416,030
Invested in capital assets	3,551,079	2,872,421
Internally restricted net assets (Note 13)	11,382	-
	6,804,890	6,288,451
Endowments	65,000	45,000
	6,869,890	6,333,451
	$38,986,426	$38,455,446

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2001

	June 30, 2001		June 30, 2000
	Budget (Note 24)	Actual	Actual (As Restated Note 4)
Revenue:			
Grants and provincial government contributions (Note 14)	$15,383,039	$15,597,070	$15,225,638
Tuition and related fees	3,410,691	3,435,571	3,452,544
Sales, rentals and services (Note 15)	812,050	1,058,912	1,004,869
Logging equipment operator program	548,000	342,935	463,989
Contract programs	257,770	242,592	414,705
Investment income (Note 16)	161,660	403,260	348,310
Gain on disposal of capital assets	50,000	1,590	178,351
Donations and contributions	27,500	11,570	69,088
Miscellaneous	23,500	81,302	28,941
Amortization of deferred capital contributions (Note 12)	1,281,682	1,278,104	715,542
	21,955,892	22,452,906	21,901,977
Expense (Note 17)			
Salaries, wages and benefits (Note 18)	12,709,360	12,625,714	11,448,322
Supplies and services	5,305,647	5,289,062	5,334,926
Amortization	2,053,552	1,725,109	1,204,299
Utilities and property tax	718,170	979,801	843,139
Facilities rental	264,400	276,136	698,383
Cost of goods sold	149,650	377,837	379,012
Travel	325,828	410,058	330,213
Repairs and maintenance	425,050	245,951	242,803
Scholarships and bursaries	75,150	34,399	51,462
	22,026,807	21,964,067	20,532,559
Excess (deficiency) of revenue over expense	$ (70,915)	$ 488,839	$ 1,369,418

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	June 30, 2001					June 30, 2000
	Endowments	Internally Restricted Net Assets	Invested in Capital Assets	Unrestricted	Total	(As Restated Note 4) Total
Excess of revenue over expense	$ -	$ -	$ -	$ 488,839	$ 488,839	$ 1,369,418
External endowment contributions	15,000	-	-	-	15,000	-
Contribution of land	-	-	32,600	-	32,600	948,700
Disposal of land	-	-	(2,500)	2,500	-	(5,000)
Transfers for:						
Payment of capital lease principal	-	-	10,220	(10,220)	-	-
Acquisition of internally funded capital assets	-	-	1,114,195	(1,114,195)	-	-
Disposal of internally funded capital assets	-	-	(8,246)	8,246	-	-
Amortization of internally funded capital assets	-	-	(467,611)	467,611	-	-
Internal endowments	5,000	-	-	(5,000)	-	-
Internal restrictions	-	11,382	-	(11,382)	-	-
Increase in net assets	20,000	11,382	678,658	(173,601)	536,439	2,313,118
Net assets, beginning of period	45,000	-	2,872,421	3,416,030	6,333,451	4,020,333
Net assets, end of period	$ 65,000	$ 11,382	$3,551,079	$ 3,242,429	$6,869,890	$ 6,333,451

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001

	June 30, 2001	June 30, 2000 (As Restated Note 4)
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 488,839	$ 1,369,418
Non-cash transactions		
Amortization of deferred capital contributions	(1,278,104)	(715,542)
Amortization of capital assets	1,725,109	1,204,299
Gain on disposal of capital assets	(1,590)	(178,351)
Change in pension obligation	-	(350,919)
	934,254	1,328,905
Changes in non-cash working capital (Note 19)	(193,207)	(371,808)
Cash generated from operating activities	741,047	957,097
Investing activities:		
Net increase in investments	(130,571)	(20,729)
Net decrease in non-current cash	683,265	145,749
Acquisition of capital assets	(3,308,220)	(27,389,220)
Proceeds on disposal of capital assets	32,943	330,260
Cash applied to investing activities	(2,722,583)	(26,933,940)
Financing activities:		
Long-term debt	107,167	-
Principal payments of long-term debt	(10,220)	(2,032)
Endowment contributions	15,000	-
Capital contributions received (Note 10)	1,095,992	1,055,137
Contributions of capital assets from Alberta Learning	-	24,826,157
Contributions of capital assets from High Prairie School Division	-	827,116
Contributions of capital from Environmental Protection (Note 7)	287,600	-
Cash generated from financing activities	1,495,539	26,706,378
Increase (decrease) in cash	(485,997)	729,535
Cash at beginning of period	6,230,997	5,501,462
Cash at end of period	$ 5,745,000	$ 6,230,997

NORTHERN LAKES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001

Note 1 Authority and Purpose

Northern Lakes College was established as a public college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended. The College is a registered charity and is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the College, the Council of Community Education Committees Society of Northern Lakes College (the "CCEC") and the Sunrise Higher Education Foundation (the "Foundation"). Both entities operate under the Alberta Societies Act and are registered charitable organizations for income tax purposes. The CCEC acts as a partner with the College reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 21 education committees representing numerous community agencies and organizations in north central Alberta. The Foundation manages a co-operative university transfer program which provides full time program advisors and study skills tutors to assist students in developing the skills necessary to succeed.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Non-current investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(e) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determinable.

Capital assets, except work in progress which is amortized upon completion, are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	10 - 40 years
Telecommunications equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Logging and heavy equipment	2 - 10 years
Vehicles	2 - 10 years
Library holdings	2 - 10 years
Curriculum development	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the lower of expected useful life of the related buildings and the remaining term of the lease.

Museum Collections are recorded at cost and are not amortized.

(f) Employee Future Benefits

The College participates in the Province of Alberta's Public Service and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Public Service and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices. The market value of privately held debt, equity or real estate investments is based on discounted future cash flows or independent appraisals. The market or replacement value of swaps and options is determined by the net unrealized gains or losses, accrued interest receivable or payable and premiums paid or received.

Note 3 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plans' deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure. This change in accounting policy has no impact on this year's financial statements.

Note 4 Prior Period Adjustment

As a result of an error in calculating the Foundation investment income for the year ended June 30, 2000, investments, investment income, unrestricted net assets and excess of revenue over expenditure were overstated by $22,471. June 30, 2000 comparative figures have been restated to correct this error. This error did not result in any financial impact in this year's financial statements.

Note 5 Non-current Cash

Non-current cash consists of amounts related to:

	June 30, 2001	June 30, 2000
Externally restricted for capital purposes	$ 119,727	$ 822,992
Endowments	65,000	45,000
	$ 184,727	$ 867,992

Cash restricted for endowment purposes represents restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors. Endowment balance includes an endowment of $5,000 established by the Board of Governors for scholarships.

Note 6 Investments

Investments are comprised of:

	June 30, 2001		June 30, 2000 (As Restated Note 4)
	Market	Cost	Cost
Balanced mutual fund	$ 97,649	$ 89,142	$ 81,677
International equity mutual fund	-	-	43,888
Overseas equity mutual fund	38,632	44,787	-
Money market funds	50,605	50,605	48,398
Term deposits	245,000	245,000	125,000
	$ 431,886	$ 429,534	$ 298,963

Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to the future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Where market value is less than cost, in management's best judgement, and based on market trends, the market value will likely recover over time.

In order to earn the optimal financial returns at an acceptable level of risk, Phillips, Hager & North Investment Ltd. were hired to manage the International Equity and Balanced Mutual funds. These are no-load funds that can be sold at any time. The income from these funds is being reinvested as paid. Risk is reduced through asset class diversification within each asset class and quality constraints on fixed-income and equity instruments. Information regarding investments is as follows:

a) Balanced Fund

This is a mix of Canadian (38.0%), U.S. (14.2%), and International (11.0%) common stocks and bonds, T-Bills and short term investments (36.8%). This is termed a middle ground, steady income and moderate growth fund.

	January/01 to August/01	4 Year Average
Average annual compound rates of return for the fund:	-6.6%	5.4%

b) Overeseas Equity Fund

This fund is a mix of European, Australian, and Far East common stock providing non-North American diversification.

	January/01 to August/01
Average annual compound rates of return for the fund:	-20.6%

The Overseas Equity Fund and International Equity Fund were merged in March 2001 creating a new Overseas Equity Fund. As a result, historical rates of return information is not available.

c) Money Market Fund

The Royal Bank Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average monthly return is currently 4.56% and is being reinvested into the fund.

d) Term Deposits

Term Deposits consists of the following:	June 30, 2001	June 30, 2000
Royal Bank 5.8% term deposit matures July 5, 2005	$ 60,000	$ -
Royal Bank 5.8% term deposit matures July 5, 2005	60,000	-
Royal Bank 5.0% term deposit matures October 16, 2001	125,000	125,000
	$ 245,000	$ 125,000

Note 7 Capital Assets and Collections

	June 30, 2001			June 30, 2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 28,381,878	$ 1,284,513	$ 27,097,365	$ 26,608,543
Computer equipment and software	1,919,952	1,291,530	628,422	738,792
Logging and heavy equipment	1,169,512	938,871	230,641	305,516
Land	1,141,276	-	1,141,276	1,014,973
Library holdings	669,619	375,081	294,538	270,584
Curriculum development	525,268	181,723	343,545	251,041
Furniture and equipment	553,662	158,580	395,082	200,366
Vehicles	301,608	121,508	180,100	204,917
Telecommunication equipment	704,560	59,828	644,732	65,615
Leasehold improvements	150,708	48,297	102,411	55,846
Capital leases	107,168	10,173	96,995	-
Museum collections	41,707	-	41,707	38,707
Work in progress	552,683	-	552,683	442,839
	$ 36,219,601	$ 4,470,104	$ 31,749,497	$ 30,197,739

On December 6, 2000, buildings and land owned by Alberta Environment were transferred to the College at their appraised values. The appraised value of the buildings was $255,000 and the value of the land was $32,600.

The museum collections are an educational and cultural resource containing aboriginal artifacts and clothing. The collections are displayed in the Native Cultural Heritage Museum at the Grouard Campus. The museum has also started a program to restore historical buildings to create a future historical site.

Work in progress represents incomplete capital projects for software development in the amount of $268,393, curriculum development in the amount of $92,753, and building renovations in the amount of $191,537.

Note 8 Unearned Revenue

	June 30, 2001	June 30, 2000
Tuition Fees	$ 49,305	$ 80,384
Ancillary programs	135	6,328
	$ 49,440	$ 86,712

Note 9 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (b) (ii).

	June 30, 2001	June 30, 2000
Balance at beginning of period	$ 1,503,075	$ 2,200,833
Restricted contributions received during the period:		
Conditional grants	815,479	599,121
Donations/contributions	43,114	43,588
Investment income (Note 16)	40,555	35,920
	2,402,223	2,879,462
Transferred to:		
Conditional grants (Note 14)	(328,849)	(250,338)
Donation revenue	(7,075)	(65,637)
Investment income (Note 16)	(36,484)	(11,275)
Deferred capital contributions (Note 10)	(1,083,036)	(1,049,137)
Balance at end of period	$ 946,779	$ 1,503,075

Unspent amounts at end of period are restricted for:

	June 30, 2001	June 30, 2000
Slave Lake Pool Fund	$ 439,555	$ 460,764
Health Careers Expansion Fund	147,000	-
Student Convocation Fund	129,909	113,565
Outdoor Recreation Centre	50,000	-
Equipment Renewal Grant	35,410	67,496
Assistance 2000	22,288	19,648
Partnership Awards Fund	20,747	48,072
R. Gladue Memorial Fund	19,127	9,824
Practical Nurse Program - Lee Project	18,481	25,050
Employee Donation Campaign	13,918	-
Student Association Contribution	10,000	-
Rape Aggression Defense Grant	9,563	10,055
Northlands Scholarship Fund - Interest	6,495	188
Alberta North - Cap Coordinator Training	5,451	5,003
Alberta North - Expansion Project	5,068	26,000
Alberta Museum Grant	4,329	-
Slave Lake Employment Enhancement	3,593	-
Diane Garratt Memorial Fund	2,255	3,785
Boreal Forest Discovery College	2,374	2,814
Pasikew Partnership Bursary	583	-
Nova Bursary - Interest	398	827
Museum Youth Dance Group Grant	235	8,700
Facility Upgrade Projects	-	521,079
Facilities Maintenance Grant	-	180,205
	$ 946,779	$ 1,503,075

Note 10 Deferred Capital Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (b) (ii).

	June 30, 2001	June 30, 2000
Balance at beginning of period	$ 822,992	$ 968,741
Contributions received during the period:		
Transfers from deferred contributions (Note 9)	1,083,036	1,049,137
Other contributions	12,956	6,000
	1,095,992	1,055,137
Transferred to:		
Unamortized deferred capital contributions (Note 12)	(1,799,257)	(1,200,886)
Balance at end of period	$ 119,727	$ 822,992

Unspent amounts at end of period are restricted for:

	June 30, 2001	June 30, 2000
Career Technology Studies Project	$ 84,147	$ 124,212
Powerplay software	24,521	85,000
Historical building restoration project	5,612	5,612
AGRESSO financial system development	5,447	13,274
Wireless communication	-	419,934
Facility renovations	-	174,960
	$ 119,727	$ 822,992

Note 11 Obligation Under Capital Lease

	Interest Rate %	June 30, 2001	June 30, 2000
Vehicles purchased under capital lease		$ 115,965	$ -
Less: Deferred finance charges	7.6% - 10.6%	(19,018)	-
		96,947	-
Less: Current portion		(16,370)	-
		$ 80,577	$ -

Future minimum principal lease payments are due as follows:

2002	16,370
2003	18,064
2004	62,513
	96,947

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (b) (ii). The balance at end of period represents external capital contributions that will be recognized as revenue in future periods.

	June 30, 2001	June 30, 2000
Balance at beginning of period	$ 27,325,318	$ 2,135,400
Add capital assets contributed (Note 7)	255,000	24,704,574
Add amount transferred from deferred capital contributions (Note 10)	1,799,257	1,200,886
Less amount amortized to revenue	(1,278,104)	(715,542)
Balance at end of period	$ 28,101,471	$ 27,325,318

Note 13 Net Assets Internally Restricted by the Board

Internally restricted net assets represent amounts that match donations received from employees for a variety of College supported projects. These amounts are not available for other purposes without the approval of the Board.

Note 14 Grants and Provincial Government Contributions

	June 30, 2001	June 30, 2000
Unrestricted:		
Alberta Learning:		
Base operating grant	$ 14,722,748	$ 14,398,360
Performance envelope	406,348	143,966
Energy grant	121,327	-
Contributions in-kind	-	423,621
Museum grants	9,523	9,353
Other grants	8,275	-
	15,268,221	14,975,300
Transferred from Deferred Contributions (Note 9):		
Access grants	237,565	-
Facilities maintenance grant	54,881	152,610
Alberta North - Cap Training	20,932	2,000
Youth Dance Group grant	8,465	-
LEE - PNP Extended delivery system	6,569	95,728
Other	437	-
	328,849	250,338
	$ 15,597,070	$ 15,225,638

For the year ended June 30, 2000 the College recorded an in-kind contribution of $423,621 which represented the estimated amortization expense for July 1, 1999 to March 31, 2000 on the buildings owned by the Department of Learning. As the buildings were transferred to the College on April 1, 2000, there is no in-kind contribution recorded for the year ended June 30, 2001.

Note 15 Sales, Rentals and Services

	June 30, 2001			
	Bookstores	Housing	Other	Total
Sales, rentals and services	$ 479,722	$ 267,164	$ 312,026	$ 1,058,912
Add:				
Amortization of deferred capital contributions	3,032	128,025	29,563	160,620
Total revenue	482,754	395,189	341,589	1,219,532
Expense (Note 17)	(488,160)	(458,966)	(350,152)	(1,297,278)
Deficiency of revenue over expense	$ (5,406)	$ (63,777)	$ (8,563)	$ (77,746)
Deficiency of revenue over expense (2000)	$ (708)	$ (26,175)	$ (26,186)	$ (53,069)

Other revenues in the amount of $312,026 (2000 - $273,363) represent rental income, sale of curriculum and other miscellaneous revenue.

Other expenditures include contracted food service costs of $163,256 (2000 - $159,771) and student transportation costs of $185,694 (2000 - $181,915). The College does not receive revenue for these ancillary services.

Note 16 Investment Income

	June 30, 2001	June 30, 2000 (As Restated Note 4)
Investment earnings	$ 407,746	$ 373,374
Add amounts transferred from deferred contributions (Note 9)	36,484	11,275
Less amounts transferred to security deposits	(415)	(419)
Less amounts transferred to deferred contributions (Note 9)	(40,555)	(35,920)
Total investment income recognized as revenue	$ 403,260	$ 348,310

Note 17 Expense by Function

	June 30, 2001	June 30, 2000
Instruction	$ 7,784,633	$ 7,810,613
Facilities operations and maintenance	4,183,778	3,876,080
Academic support	2,928,934	2,608,270
Institutional support	2,920,800	2,550,324
Student services	1,837,263	1,544,396
Sales, rentals and services (Note 15)	1,297,278	1,233,520
Computing, network and communications	1,011,381	909,356
	$ 21,964,067	$ 20,532,559

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 18 Salaries, Wages and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2001			2000
	Salary[1]	Benefits and Allowances[2]	Total	Total
Board of Governors[3]	$ 20,458	$ 49	$ 20,507	$ 22,601
President[4]	136,607	4,537	141,144	132,981
Vice-President[4]	95,161	15,574	110,735	99,892
Senior Directors:				
Governance Support Services[5]	86,135	10,471	96,606	89,087
Educational Support Services[4]	81,284	14,100	95,384	86,980
Deans:				
Academic Upgrading Services[4]	81,681	13,805	95,486	95,765
Career Services[4]	67,971	9,196	77,167	86,814

(1) Salaries include base pay, overtime pay, vacation payouts, honoraria and other direct cash remuneration.

(2) Benefits and allowances include the College's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, and accidental death and dismemberment insurance and any cash disbursements with respect to vehicle allowances.

(3) There are eleven board members. Several members of the Board are serving members of the individual Community Education Committees and/or the Council of Community Education Committees. During the period, these members received additional honoraria totaling $2,807, which is not included in above figure, in their capacity as members of these committees (2000 $3,930).

(4) Staff have been provided with an automobile by the College for which no amount is included in the benefits and allowances.

(5) The position of Senior Director, Governance Support Services was abolished in March 2001.

Note 19 Changes in Non-cash Working Capital

	June 30, 2001	June 30, 2000
Accounts receivable	$ 41,525	$ 268,389
Inventories	(20,924)	42,171
Prepaid expenses	(38,514)	25,643
Accounts payable and accrued liabilities	258,759	(206,596)
Accrued vacation pay	159,436	228,546
Unearned revenue	(37,272)	25,701
Deferred contributions	(556,296)	(697,758)
Security deposits held	79	(57,904)
	$ (193,207)	$ (371,808)

Note 20 Commitments

Future minimum annual lease payments under operating leases are:

2002	$ 298,760
2003	$ 139,371
2004	$ 107,121
2005	$ 98,140
2006 and thereafter	$ 67,796

Note 21 Contingent Liability

Management employees are permitted to remain as participants of the Management Employees Pension Plan until December 31, 2001. The possibility exists that the transfer of management employees from the Management Employee Pension Plan to the Local Authorities Pension Plan after December 31, 2001 may result in reduced pension benefits for some management employees that the College may be required to supplement. The College has committed to the guiding principle that employees not be disadvantaged by the change in their employment. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent liability cannot be made. Accordingly, a liability has not been recorded in these financial statements.

Note 22 Related Parties

(i) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of the Department of Learning. Grants and other provincial government contributions are described in Note 14. Included in accounts payable and accrued liabilities is an amount payable to the Department of Learning in the amount of $255,305.

(ii) On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property to be transferred from Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. As at June 30, 2001 this Corporation was not active and held no assets.

(iii) The College participates in offering certain courses with other Alberta post secondary education institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations at fair value.

Note 23 Operating Segment Information

The following information presents the results of operations of the College by operating segment. The College has three main operating segments which are managed independently and offer differing educational services. The College itself offers numerous credit and non-credit courses, the CCEC offers short-term non-credit courses based on community defined adult learning needs, and the Sunrise Foundation offers university transfer courses. Inter-segment transactions are recorded at fair value.

The Sunrise Foundation capitalizes minor furniture and equipment, which is amortized over a 20 year life. In all other respects, accounting policies of the segments are described in the summary of significant accounting policies in Note 2.

A) Statement of Financial Position

	June 30, 2001			
	College	CCEC	Sunrise Foundation	Total
Assets				
Total assets	$ 37,901,136	$ 526,710	$ 651,722	$ 39,079,568
Adjustment (1)				(93,142)
Total assets per consolidated statements				$ 38,986,426
Liabilities and Net Assets				
Total liabilities	$ 32,067,966	$ 43,725	$ 102,323	$ 32,214,014
Total net assets	5,833,170	482,985	549,399	6,865,554
	$ 37,901,136	$ 526,710	$ 651,722	39,079,568
Adjustment (1)				(93,142)
Total liabilities and net assets per consolidated statements				$ 38,986,426

B) Statement of Operations

	College	CCEC	Sunrise Foundation	Total
Total revenue	$ 21,778,844	$ 417,074	$ 437,189	$ 22,633,107
Total expense	21,287,431	415,614	449,603	22,152,648
Excess of revenue over expense	$ 491,413	$ 1,460	$ (12,414)	480,459
Adjustment (1)				8,380
Total excess of revenue over expense per consolidated statements				$ 488,839

Adjustment (1)
Represents elimination of inter-segment transactions and adjustments to conform accounting policies.

Note 24 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The College Budget for the year ended June 30, 2001 was was approved by the Board of Governors on May 10, 2000. The budget for CCEC and Sunrise were approved on November 23, 2000 and September 18, 2000, respectively.

	2001			
	College Approved Budget	CCEC Approved Budget	Sunrise Approved Budget	Total Budget
Revenue:				
Grants	$ 15,276,314	$ 106,725	$ -	$ 15,383,039
Tuition and related fees	2,911,931	168,760	330,000	3,410,691
Sales, rentals and services	811,600	450	-	812,050
Logging equipment program	548,000	-	-	548,000
Contract programs	214,120	12,000	31,650	257,770
Investment income	158,000	-	3,660	161,660
Gain on disposal of capital assets	50,000	-	-	50,000
Donations and contributions	22,000	5,500	-	27,500
Miscellaneous	20,000	3,500	-	23,500
Amortization of deferred capital contributions	1,281,682	-	-	1,281,682
	21,293,647	296,935	365,310	21,955,892
Expense:				
Salaries, wages and benefits	12,709,360	-	-	12,709,360
Supplies and services	4,599,787	282,250	423,610	5,305,647
Amortization	2,053,552	-	-	2,053,552
Utilities and property tax	718,170	-	-	718,170
Facilities rental	264,400	-	-	264,400
Cost of goods sold	149,650	-	-	149,650
Travel	315,678	9,950	200	325,828
Repairs and maintenance	425,050	-	-	425,050
Scholarships and bursaries	58,000	15,650	1,500	75,150
	21,293,647	307,850	425,310	22,026,807
Deficiency of revenue over expense	$ -	$ (10,915)	$ (60,000)	$ (70,915)

Note 25 Pension Costs

The College participates in the Management Employees Pension Plan and the Public Service Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $537,182 for the year ended June 30, 2001 (2000 - $482,251).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 - $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 - $517,020,000).

Note 26 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 27 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

OLDS COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors
Olds College

I have audited the consolidated balance sheet of Olds College as at June 30, 2001 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 28, 2001

OLDS COLLEGE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2001

	2001	2000 Restated (Note 21)
ASSETS		
Current:		
Cash and short-term investments (Note 4)	$ 4,106,040	$ 3,359,278
Accounts receivable	1,834,077	1,383,087
Inventories (Note 5)	394,755	385,151
	6,334,872	5,127,516
Long-term investments (Note 4)	5,246,634	5,651,359
Capital assets (Note 6)	30,337,878	30,104,702
	$ 41,919,384	$ 40,883,577
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 1,238,980	$ 1,236,775
Current portion of long term debt (Note 7)	105,968	101,748
Deferred revenue (Note 8)	1,355,729	852,584
Accrued vacation pay	1,301,987	1,249,984
Deferred contributions (Note 9)	1,158,442	1,043,337
	5,161,106	4,484,428
Deferred capital contributions (Note 11)	862,122	813,837
Long term debt (Note 7)	3,416,920	3,494,398
Unamortized deferred capital contributions (Note 12)	18,745,753	18,400,923
	28,185,901	27,193,586
Net assets:		
Unrestricted	404,339	-
Internally restricted (Note 13)	1,200,420	1,648,886
Invested in capital assets	8,069,237	8,107,633
Endowments (Note 14)	4,059,487	3,933,472
	13,733,483	13,689,991
	$ 41,919,384	$ 40,883,577

The accompanying notes are part of these consolidated financial statements.

OLDS COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
			Restated
	Budget (Note 23)	Actual	Actual (Note 21)
Revenue:			
Grants, Province of Alberta (Note 20)	$ 14,604,692	$ 15,251,254	$ 14,028,118
Other grants and training contracts	1,421,958	1,672,505	1,367,910
Tuition and related fees	4,486,100	4,147,696	4,296,010
Sales, rentals and other services (Note 15)	4,214,680	4,735,957	4,824,021
Investment income (Note 18)	351,256	566,702	1,186,840
Donations	500,000	709,841	797,502
Amortization of deferred contributions related to capital assets (Note 12)	1,600,000	1,716,676	1,716,113
	27,178,686	28,800,631	28,216,514
Expense:			
Salaries and benefits	14,411,794	15,669,838	15,038,121
Supplies and services	7,606,356	7,337,000	7,527,563
Scholarships and bursaries	24,500	168,497	152,313
Cost of goods sold	1,858,000	1,816,238	1,979,794
Utilities	719,000	1,222,027	855,458
Amortization of capital assets	2,585,000	2,604,567	2,638,163
Loss on disposal of capital assets	-	64,987	32,001
Pension adjustment		-	(181,531)
	27,204,650	28,883,154	28,041,882
Excess (deficiency) of revenue over expense	$ (25,964)	$ (82,523)	$ 174,632

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001						2000 Restated (Note 21)
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 13)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
Excess (deficiency) of revenue over expense	$ (82,523)	$ -	$ -	$ (82,523)	$ -	$ (82,523)	$ 174,632
Endowments received				-	94,323	94,323	154,776
Recapitalized Endowment Earnings				-	31,692	31,692	32,575
Board restrictions	448,466	(448,466)		-		-	-
Internally funded:							
Capital asset acquisitions	(877,303)		877,303	-		-	-
Repayment of long-term debt	(73,258)		73,258	-		-	-
Amortization of capital assets	947,861		(947,861)	-		-	-
Disposal of capital assets	41,096		(41,096)	-		-	-
Increase(decrease) in net assets	404,339	(448,466)	(38,396)	(82,523)	126,015	43,492	361,983
Balance beginning of year	-	1,648,886	8,107,633	9,756,519	3,933,472	13,689,991	13,328,008
Balance, end of year	$ 404,339	$ 1,200,420	$ 8,069,237	$ 9,673,996	$ 4,059,487	$ 13,733,483	$ 13,689,991

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 Restated (Note 21)
Operating activities:		
Excess (deficiency) of revenue over expense	$ (82,523)	$ 174,632
Amortization of deferred contributions related to capital assets	(1,716,676)	(1,716,113)
Changes in pension liability	-	(181,531)
Amortization of capital assets	2,604,567	2,638,163
Loss on disposal of capital assets	64,987	32,001
	870,355	947,152
Net changes in non-cash operating working capital	211,864	873,310
Cash flow from operations	1,082,219	1,820,462
Investing activities:		
Proceeds (acquisitions) of long-term investments, net	404,725	(84,803)
Acquisition of capital assets	(2,938,809)	(2,878,444)
Proceeds from disposal of capital assets	36,079	13,728
Cash applied to investing activities	(2,498,005)	(2,949,519)
Financing activities:		
Repayment of long term debt	(73,258)	(72,075)
Capital contributions received	1,898,976	1,265,209
Donated Equipment	210,815	112,804
Endowments contributions received	126,015	187,351
Cash generated from financing activities	2,162,548	1,493,289
Increase in cash and short-term investments	746,762	364,232
Cash and short-term investments, beginning of year	3,359,278	2,995,046
Cash and short-term investments, end of year	$ 4,106,040	$ 3,359,278

Note 1 Authority

Olds College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

The College is a public institution preparing individuals for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Olds College Foundation, which operates under Part 9 of the Alberta Companies Act and the Olds College Centre for Innovation Inc., a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta.

The Olds College Foundation is a charitable organization whose purpose is to obtain donations on behalf of the College. The Foundation transfers donated funds to the College, but retains administrative control over the use of the funds.

Olds College Centre for Innovation Inc. was incorporated on April 4, 2000 and commenced operations on July 1, 2000. The Centre was established for the purpose of furthering the amount of participation in applied research undertaken by Olds College students and faculty.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred revenue.

Amounts received for tuition fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended, including endowments, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to capital contributions deferred to future years. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when they are received.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value, if reasonably determined.

(c) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method, and is valued at the lower of cost and net realizable value. Livestock is valued at net realizable value.

(d) Long-term Investments

Long-term investments are recorded at cost or amortized cost where applicable. Gains or losses on investments are recognized at realization, or when there is an other than temporary impairment in value.

(e) Capital Assets

The Province of Alberta, Department of Infrastructure transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. Acquisitions of capital assets since April 1, 1978 are recorded at cost, except for donated capital assets which are recorded at cost as approximated by fair value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Capital Assets (continued)

The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Site improvements	40 years
Buildings	15-40 years
Furnishings, equipment and computer hardware	2-15 years
Library and audio visual materials	10 years

Buildings under construction includes the direct construction and overhead costs directly attributable to the construction.

(f) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(g) Financial Instruments

The fair value of the College's accounts receivable, accounts payable, deferred revenue and accrued vacation pay approximate their fair values due to the relatively short periods to maturity for these instruments.

Note 3 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 4 Cash and Investments

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital purposes, and net assets internally restricted for capital purposes.

	2001	2000
Endowments	$ 4,059,487	$ 3,933,472
Restricted cash for capital construction	-	-
Deferred capital contributions (Note 11)	862,122	813,837
Internally restricted net assets, capital (Note 13)	325,025	904,050
Held as long-term investments	5,246,634	5,651,359
Cash and short-term investments	4,106,040	3,359,278
Total cash and investments	$ 9,352,674	$ 9,010,637

Cash and investments are summarized as follows:

	2001		2000	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	$ 167,391	$ 167,391	$ 995,460	$ 995,460
Fixed income - bonds and deposit notes	4,490,975	4,476,640	4,865,888	4,826,258
Equities - stocks	4,694,308	4,180,799	3,149,289	3,028,933
	$ 9,352,674	$ 8,824,830	$ 9,010,637	$ 8,850,651

Within the investment portfolio, there are securities at costs that are in excess of market value. These securities have not been written down to market value, because management has concluded, based on review of market information for the securities, that impairment is temporary.

Note 4 Cash and Investments (continued)

Maturity dates are summarized as follows:

	Term to Maturity			2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and Debentures:					
Province of Alberta	$ -			$ -	$ 991.074
Other provincial		1.061.524	376.991	1.438.515	1.139.474
Other government and corporate bonds	400.000	1.745.081	707.379	2.852.460	2.735.340
	$ 400.000	$ 2.806.605	$ 1.084.370	$ 4.290.975	$ 4.865.888
Yield				5.51%	5.96%
Fair Value	374.000	2.816.480	1.086.160	4.276.640	4.826.258
Securities:					
Term deposits	-	200.000	-	200.000	-
	$ -	$ 200.000	$ -	$ 200.000	$ -
Yield				6.25%	-
Fair Value	-	200.000	-	200.000	-
	400,000	3.006.605	1.084.370	4.490,975	4.865.888
Accrued Interest	3.255	64.694	20.383	88.332	-
	$ 403.255	$ 3.071.299	$ 1.104.753	$ 4.579.307	$ 4.865.888

Realized return includes interest and dividend income and gains and losses on disposal of investments.

The Board of Governors, through its Human Resources, Finance and Facilities Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth, liquidity and congruence with our mission. The investments are managed on a day to day basis by College staff and an external investment manager.

The investment fund policy allows for all of the funds to be invested in fixed income, short-term investments and equity investments.

Note 5 Inventories

	2001	2000
Livestock, feed and supplies	$ 229,232	$ 225,141
Bookstore merchandise and other	165,523	160,010
	$ 394,755	$ 385,151

Note 6 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,210,776	$ -	$ 1,210,776	$ 1,210,776
Site improvements	2,376,887	500,148	1,876,739	1,770,767
Buildings	49,491,377	26,566,999	22,924,378	23,464,796
Buildings under construction	1,008,706	-	1,008,706	451,372
Furnishings and equipment	13,971,348	10,654,069	3,317,279	3,206,991
	$ 68,059,094	$ 37,721,216	$ 30,337,878	$ 30,104,702

Capital assets have been funded as follows:

	2001	2000
Deferred contributions related to capital assets	$ 18,745,753	$ 18,400,923
Long term debt	3,522,888	3,596,146
Investment in capital assets	8,069,237	8,107,633
	$ 30,337,878	$ 30,104,702

Note 7 Long Term Debt

The College acquired long term debt to finance the construction of student residence town houses. Construction of these town houses was done in two phases with work being completed during September 1998 for phase one and September 1999 for phase two.

Phase one was partially funded through a mortgage amortized over 25 years. The mortgage has a fixed interest rate of 5.64% to April 30, 2003, at which time it is subject to re-negotiation. Phase two was funded through a debenture that is due April 1, 2024 and has a fixed interest rate of 5.75%.

Note 7 Long Term Debt (continued)

Long term debt includes a note payable of $25,000 which will be renegotiated October 16, 2001.

June 30, 2001 long term debt:

	Outstanding Principal		Mortgage Payment Requirements			
	Long term	Current	2002	2003	2004	2005
Phase One	$ 1,536,827	$ 38,744	$126,389	$115,856	$ -	$ -
Phase Two	1,880,093	42,224	152,756	152,756	152,756	152,756
Other	-	25,000	25,000	-	-	-
	$ 3,416,920	$ 105,968	$ 304,145	$ 268,612	$ 152,756	$ 152,756

Interest of $202,817 (2000 - $187,048) has been charged to expense during the year.

Note 8 Deferred Revenue

	2001	2000
Program Delivery/Extension services	$ 275,831	$ 407,507
Tuition fees	129,747	111,709
Deferred Government grants	807,875	9,959
Prepaid lease revenue	128,393	157,557
Other	13,883	165,852
	$ 1,355,729	$ 852,584

Note 9 Deferred Contributions

Deferred contributions represent the unexpended portion of amounts received for specific purposes.

	2001	2000
Contributions received during the year:		
Donations	$ 595,812	$ 355,755
Restricted investment income	178,085	177,620
	773,897	533,375
Transferred to:		
Donations revenue	(458,601)	(254,205)
Investment income revenue	(200,191)	(292,277)
	(658,792)	(546,482)
Increase (decrease) during the year	115,105	(13,107)
Balance, beginning of year	1,043,337	1,056,444
Balance, end of year	$ 1,158,442	$ 1,043,337
The balance is restricted for:		
Endowment scholarships	$ 333,118	$ 315,248
Staff development	52,887	52,887
Programs and projects	772,437	675,202
	$ 1,158,442	$ 1,043,337

Note 10 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $579,438 for the year ended June 30, 2001 (2000 - $514,660).

At December 31, 2000, the Local Authorities Pension Plan reported a surplus of $883,823,000 (1999 - $880,358,000).

Note 11 Deferred Capital Contributions

	2001	2000
Received during the year:		
Infrastructure renewal grant	$ -	$ 655,209
Heavy duty apprentice equipment grant	198,320	290,000
James Murray building addition grant	905,000	320,000
Furniture, equipment and computers grant	356,506	-
Plant stress lab equipment grant	62,040	-
Windrow turner grants	253,460	-
Site improvements grant	90,219	-
Other buildings	33,431	
Donated Equipment	210,815	112,804
	2,109,791	1,378,013
Transfers to unamortized deferred capital contributions:		
Furniture, equipment and computers	283,789	
Infrastructure renewal	207,733	447,476
James Murray building addition	1,221,104	3,896
Heavy duty apprentice equipment	14,415	-
Site improvements	90,219	
Other buildings	33,431	
Donated Equipment	210,815	112,804
	2,061,506	564,176
Increase during the year	48,285	813,837
Balance, beginning of year	813,837	-
Balance, end of year	$ 862,122	$ 813,837

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions related to capital assets represent external funding of capital assets which will be recognized as revenue in the future.

	2001	2000
Balance, beginning of year	$ 18,400,923	$ 19,552,860
Amount transferred from deferred contributions (Note 11)	2,061,506	564,176
Amount transferred to revenue	(1,716,676)	(1,716,113)
Balance, end of year	$ 18,745,753	$ 18,400,923

Note 13 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operating net assets as follows:

	2001	2000
Capital:		
Infrastructure renewal	$ -	$ 569,055
Farm capital renewal	325,025	334,995
	325,025	904,050
Non-capital:		
Departmental projects	31,057	31,057
Aqua Centre	-	150,000
Residence Mortgage Fund	636,155	406,754
Scholarships	6,500	-
Foundation Projects	201,683	157,025
	875,395	744,836
	$ 1,200,420	$ 1,648,886

Note 14 Endowments

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. Benefactors as well as College policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Note 15 Sales, Rentals and Other Services

Sales, rentals and other services revenue are summarized as follows:

	2001	2000
Conference and food services	$ 1,413,344	$ 1,409,959
Residence	1,055,525	1,106,043
Farm Operations	729,226	826,285
Bookstore	632,538	660,024
Academic Program Ancillary	410,510	397,357
Rentals & Other	494,814	424,353
	$ 4,735,957	$ 4,824,021

Note 16 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 requires the College to disclose certain salaries and benefits. These salaries and benefits are as follows:

	2001			2000
	Salary(a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 6,835	$ 57	$ 6,892	$ 3,896
Board members	22.000	625	22,625	17,959
President(c)	100.720	36.109	136.829	124.913
Vice-President, Academic	102,126	11,987	114,113	105,551
Vice-President, Student and Support Services	96,213	6,179	102,392	106,351
Executive Director, Olds College Foundation	83,791	10,690	94,481	85,209
Chief Operating Officer, Olds College Centre for Innovation (d)	99.760	11.454	111.214	78.912
Dean, Animal Science (e)	102.892	16.387	119.279	79.402
Dean, Trades and Technologies	79,544	10,475	90,019	83,623
Dean, Land Sciences	84,918	11,034	95,952	90,737
Dean, Extension Services (f)	34,789	17,868	52,657	81,255
	$813,588	$ 132,865	$946,453	$857,808

(a) Salary includes regular base pay, overtime, performance bonuses and honoraria

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, employment insurance, remission of tuition fees and vacation payouts.

(c) Rental housing provided no amount included in benefits and allowances.

(d) The position of Chief Operating Officer, Olds College Centre for Innovation was a new position staffed as of October 4, 1999.

(e) The position of Dean, Animal Science had two incumbents during the 2000/2001 fiscal year.

(f) The position of Dean, Extension Services was vacant from December 20, 2000 to June 30, 2001

Note 17 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	2001	2000
Big Country Educational Consortium	$ 547,686	$ 565,028
Student Association	408,156	381,251
Other	41,654	144,618
	$ 997,496	$ 1,090,897

Note 18 Investment Income

	2001	2000 (Restated)
Restricted investment income on resources held for endowment	$ 209,777	$ 208,968
Non restricted investment income	366,511	895,790
Total investment income	576,288	1,104,758
Transfer from deferred contributions	22,106	114,657
Amounts credited directly to endowment principal	(31,692)	(32,575)
	$ 566,702	$ 1,186,840

Note 19 Commitments and Contingencies

As at June 30, 2001 the College has commitments of $75,324 for capital projects.

Note 20 Related Party Transactions

Olds College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of the Department of Learning. Transactions between Olds College and the Province are disclosed in the Consolidated Statement of Revenue and Expense and Consolidated Balance Sheet and are as follows:

	2001		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 12,188,544	$ -	$ -
Access Funding	1,009,755	-	99,212
Extension Services grants	349,536	-	7,112
Infrastructure renewal	547,554	-	822,717
NEOS Library grant	1,683	-	8,276
Learning Enhancement envelope	79,626	-	-
Centre for Innovation	612,951	788,902	177,667
Miscellaneous grants	461,605	30,000	198,320
	$ 15,251,254	$ 818,902	$ 1,313,304

	2000		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 11,551,602	$ -	$ -
Access Funding	631,851	-	-
Extension Services grants	277,448	-	-
Infrastructure renewal	750,448	-	655,209
NEOS Library grant	65,177	9,959	-
Adult Development Training grant	159,091	-	-
Learning Enhancement envelope	60,443	79,626	-
Centre for Innovation	330,736	-	-
Miscellaneous grants	201,322	-	290,000
	$ 14,028,118	$ 89,585	$ 945,209

During the year, Olds College had business transactions with Big Country Educational Consortium, Southern Alberta Institute of Technology, Northern Alberta Institute of Technology, Red Deer College, Lakeland College, University of Calgary, University of Alberta and the University of Lethbridge. These transactions were at market prices on normal terms of purchase and sale and have been included in the Statement of Revenue and Expense.

Note 21 Prior Period Adjustment

During the year, an error relating to the reporting of investment income and endowments in the prior year was identified. As a result, the 2000 endowments were understated and investment income was overstated. The 2000 results have been restated to properly report investment income and endowments as follows:

	As Originally Reported	Adjustments	As Restated
Endowments as at June 30, 2000	$ 3,898,006	$ 35,466	$ 3,933,472
Internally Restricted Net Assets as at June 30, 2000	$ 1,684,352	$ (35,466)	$ 1,648,886
Investment Income as at June 30, 2000	$ 1,222,306	$ (35,466)	$ 1,186,840
Excess of Revenue over Expense as at June 30, 2000	$ 210,098	$ (35,466)	$ 174,632

Note 22 Comparative Figures

Certain 2000 figures have been reclassified to conform to 2001 presentation.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning. The College budget for the year ended June 30, 2001 was approved by the Board of Governors on May 25, 2000. The budget for Olds College Centre for Innovation Inc. (OCCI) was approved by the Board of Directors of OCCI on June 4, 2001.

Note 24 Approval of Financial Statements

The Board of Governors approved these financial statements.

PORTAGE COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2001

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Continuing Education Programming

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Portage College

I have audited the statement of financial position of Portage College (the "College") as at June 30, 2001 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 5, 2001

PORTAGE COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash (Note 4)	$ 2,863,078	$ 4,050,910
Accounts receivable (Note 5)	553,415	340,553
Inventories (Note 6)	163,164	133,236
Prepaid expenses	94,441	101,890
	3,674,098	4,626,589
Non-current cash (Note 4)	835,000	92,612
Capital assets (Note 7)	33,420,254	32,580,144
	$37,929,352	$ 37,299,345
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 740,754	$ 335,195
Accrued vacation pay	1,148,578	1,044,595
Unearned revenue (Note 8)	95,515	63,637
Deferred contributions (Note 9)	249,310	1,144,759
	2,234,157	2,588,186
Deferred capital contributions (Note 10)	85,000	42,612
Unamortized deferred capital contributions (Note 12)	31,096,264	31,126,153
	33,415,421	33,756,951
Net assets:		
Operating		
Unrestricted net assets	114,942	1,793,403
Internally restricted net assets (Note 13)	2,025,000	245,000
Invested in capital assets	2,323,989	1,453,991
	4,463,931	3,492,394
Endowments (Note 4)	50,000	50,000
	4,513,931	3,542,394
	$37,929,352	$ 37,299,345

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2001

	2001		2000
	Budget (Note 24)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 14)	$ 12,486,846	$12,355,450	$ 11,579,592
Tuition and related fees	2,351,525	1,849,202	1,928,298
Contract income	334,246	772,491	1,032,549
Sales, rentals and services (Note 15)	1,444,796	1,266,048	1,327,391
Donations and contributions	6,600	37,092	60,514
Investment income (Note 16)	200,000	244,616	212,139
Amortization of deferred capital contributions (Note 12)	1,080,771	1,059,967	536,976
Miscellaneous	99,531	280,645	127,071
	18,004,315	17,865,511	16,804,530
Expense (Note 17)			
Salaries, wages and benefits (Note 18)	10,523,021	10,875,785	9,281,131
Supplies and services	5,436,096	4,263,000	4,191,475
Utilities	500,000	675,926	521,767
Scholarships and bursaries	31,540	52,020	41,133
Amortization	1,182,065	1,373,543	749,573
Facilities cost	-	-	495,838
	17,672,722	17,240,274	15,280,917
Excess of revenue over expense	$ 331,593	$ 625,237	$ 1,523,613

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 13)	Invested in Capital Assets	Endowments (Note 4)	Total	Total
Excess of revenue over expense	$ 625,237	$ -	$ -	$ -	$ 625,237	$ 1,523,613
Contribution of land (Note 7)	-	-	-	-	-	500,000
Contribution of artwork (Note 21)	-	-	346,300	-	346,300	-
Transfers for:						
Internally restricted capital funds	(700,000)	700,000	-	-	-	-
Internally restricted non-capital funds	(1,080,000)	1,080,000	-	-	-	-
Amortization of internally funded capital assets	321,650	-	(321,650)	-	-	-
Acquisition of internally funded capital assets	(845,348)	-	845,348	-	-	-
(Decrease) increase in net assets	(1,678,461)	1,780,000	869,998	-	971,537	2,023,613
Net assets, beginning of period	1,793,403	245,000	1,453,991	50,000	3,542,394	1,518,781
Net assets, end of period	$ 114,942	$ 2,025,000	$ 2,323,989	$ 50,000	$ 4,513,931	$ 3,542,394

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 625,237	$ 1,523,613
Non-cash transactions		
Amortization of deferred capital contributions (Note 12)	(1,059,967)	(536,976)
Amortization of capital assets - internally funded	321,650	212,596
Amortization of capital assets - externally funded	1,051,893	536,977
Change in pension obligation	-	(288,230)
Gain on sale of capital assets - externally funded	(2,895)	(5,027)
Loss on sale of capital assets - internally funded	-	814
	935,918	1,443,767
Changes in working capital (Note 19)	(589,370)	416,003
Cash generated from operating activities	346,548	1,859,770
Investing activities:		
Net (increase) decrease in non-current cash	(742,388)	86,155
Acquisition of capital assets - internally funded	(845,348)	(423,013)
Acquisition of capital assets - externally funded	(1,030,078)	(30,786,835)
Proceeds on sale of capital assets	10,968	7,939
Contributed artwork (Note 7)	(346,300)	-
Cash applied to investing activities	(2,953,146)	(31,115,754)
Financing activities:		
Capital contributions received (Note 10)	1,072,466	-
Contribution of artwork (Note 21)	346,300	-
Contribution of buildings (Note 12)	-	30,200,679
Contribution of land (Note 7)	-	500,000
Cash generated from financing activities	1,418,766	30,700,679
(Decrease) increase in cash	(1,187,832)	1,444,695
Cash at beginning of year	4,050,910	2,606,215
Cash at end of year	$ 2,863,078	$ 4,050,910

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001

Note 1 Authority and Purpose

Portage College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980 as amended. On August 25, 1999, the Lieutenant Governor in Council rescinded the College name of Alberta Vocational College - Lac La Biche and designated its new name to be Portage College.

Primarily serving communities in northeastern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs and career entry training in business, human services, trades, technical and service industries. The College maintains a special interest in providing programs to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) (iii) Investment Income

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Unrestricted investment income is recognized in the year it is earned.

(iv) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	20 - 40 years
Trailers	13 - 20 years
Furniture, vehicles and other equipment	5 - 10 years
Library holdings	5 - 10 years
Computer equipment	4 years
Computer software	5 years
Rental books	2 years
Leasehold improvements	Life of lease

Art collections are recorded at cost and are not amortized. Donated artwork collections are recorded at fair value, when determinable, and are not amortized.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Pension Plan Expense and Obligation

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multiemployer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(e) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

Note 3 Change in accounting policy

Pension Obligation

The College has changed its method of accounting for its participation in multiemployer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plans' deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 4 Cash, Non-Current Cash and Endowments

Cash includes deposits of $2,446,080 in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on the prevailing market interest rates.

Non-current cash includes deposits of $750,000 in the CCITF account.

Non-current cash comprises:

	2001	2000
Endowments [1]	$ 50,000	$ 50,000
Board restricted capital funds (Note 13)	700,000	-
Externally restricted for capital purposes (Note 10)	85,000	42,612
	$ 835,000	$ 92,612

The Board of Governors further restricted $700,000 of unrestricted net assets to be held for future capital purchasing.

[1] Endowments are comprised of the following:

	2001	2000
Nova-Student Bursary	$ 25,000	$ 25,000
Northlands Park Achievement Award	20,000	20,000
Xerox- Outstanding Business Careers Student Award	3,000	3,000
Alberta Pacific Native Cultural Arts Award	2,000	2,000
	$ 50,000	$ 50,000

Of the net assets restricted for endowment purposes, $37,500 is subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Board of Governors has internally restricted $12,500 of unrestricted net assets to be held for endowment purposes. The purpose of the endowments are to award student scholarships and bursaries.

Note 5 Accounts Receivable

	2001	2000
Accounts receivable	$ 844,639	$ 478,855
Allowance for doubtful accounts	(291,224)	(138,302)
	$ 553,415	$ 340,553

Note 6 Inventories

	2001	2000
Bookstore and native cultural art supplies	$ 125,630	$ 98,939
Cafeteria supplies	27,906	26,965
Printing supplies	3,150	3,293
Other	6,478	4,039
	$ 163,164	$ 133,236

Note 7 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$30,911,936	$ 960,802	$29,951,134	$29,892,569
Land	500,000	-	500,000	500,000
Rental books	144,168	99,880	44,288	57,087
Computer equipment	1,703,380	1,110,649	592,731	521,384
Furniture	36,670	15,070	21,600	25,172
Vehicles	280,801	86,898	193,903	105,302
Other equipment	589,868	168,873	420,995	325,850
Library holdings	542,848	225,364	317,484	318,883
Trailers	396,663	70,758	325,905	345,738
Computer software	345,415	195,492	149,923	199,507
Software development in progress	502,407	-	502,407	288,652
Artwork	346,300	-	346,300	-
Leasehold improvements	53,584	-	53,584	-
	$36,354,040	$ 2,933,786	$33,420,254	$32,580,144

Software development includes license fees, direct costs and salary costs for those employees dedicated to the Agresso financial system development project.

On April 1, 2000, buildings, trailers, land and site improvements owned by the Department of Learning were transferred to the College at their appraised values. The appraised values of the buildings, site improvements and trailers transferred was $30,123,860. The value of the land transferred was $500,000.

Note 8 Unearned Revenue

	2001	2000
Tuition fees	$ 44,610	$ 15,611
Other	50,905	48,026
	$ 95,515	$ 63,637

Note 9 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2001	2000
Restricted contributions received during the period:		
Conditional grants	1,128,468	895,253
Scholarships and bursaries (Note 16)	3,190	5,561
	1,131,658	900,814
Transferred to revenue:		
Conditional grants	(1,056,418)	(610,554)
Donations/contributions	-	(24,883)
Scholarships and bursaries (Note 16)	(1,050)	(2,783)
	(1,057,468)	(638,220)
Transferred to deferred capital contributions (Note 10)	(969,639)	-
(Decrease) increase during the year	(895,449)	262,594
Balance at beginning of year	1,144,759	882,165
Balance at end of year	$ 249,310	$ 1,144,759

Unspent amounts at the end of period are restricted for the following purposes:

	2001	2000
Deferred maintenance	$ 225,874	$ 671,521
Website development	15,000	-
Student scholarships and bursaries	8,436	26,295
Restructuring	-	19,189
Accounting systems	-	85,000
Program funding	-	100,958
One time equipment and facility funding	-	241,796
	$ 249,310	$ 1,144,759

Note 10 Deferred Capital Contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2001	2000
Conditional grants received during the year	$ 102,827	$ -
Transferred from deferred contributions (Note 9)	969,639	-
	1,072,466	-
Transferred to unamortized deferred capital contributions (Note 12)	(1,030,078)	(86,155)
Increase (decrease) during the year	42,388	(86,155)
Balance at beginning of year	42,612	128,767
Balance at the end of the year	$ 85,000	$ 42,612
Balance at end of year is restricted for the following purposes:		
AGRESSO financial system development	$ 85,000	$ 42,612

Note 11 Pension Costs

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan, which are multiemployer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $456,913 for the year ended June 30, 2001(2000 - $364,263).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 - $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 - $517,020,000).

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2001	2000
Balance at beginning of period	$31,126,153	$ 1,376,295
Transferred from deferred capital contributions (Note 10)	1,030,078	86,155
Add capital assets contributed	-	30,200,679
Less amount amortized to revenue	(1,059,967)	(536,976)
Balance at end of period	$31,096,264	$31,126,153

Note 13 Internally Restricted Net Assets

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without approval of the Board.

	2001	2000
Capital:		
Housing Development Fund - Capital	$ 400,000	$ -
Campus Development Fund - Capital	300,000	-
	700,000	-
Operating:		
Program Development	450,000	-
Professional Services - Transition Fund	280,000	-
Deferred Maintenance - Ancillary Services Fund	250,000	-
Emergency Facility Repair	225,000	225,000
Financially Assisted Education Leave	100,000	-
Student Needs - Quality of life	20,000	20,000
	1,325,000	245,000
	$ 2,025,000	$ 245,000

Note 14 Grants and Other Government Contributions

	2001	2000
Department of Learning:		
Base operating grant	$11,299,032	$10,442,825
Conditional funding:		
Envelope funding	1,036,418	440,173
Other	20,000	118,545
Health Canada- Conditional funding	-	51,835
	12,355,450	11,053,378
Department of Infrastructure - contributions in kind	-	495,839
Other provincial government - contributions in kind	-	30,375
	$12,355,450	$11,579,592

Note 15 Sales, Rentals and Services

	Revenue	Direct Expense	2001 Net	2000 Net
Food Services	$ 250,588	$ 321,209	$ (70,621)	$ (100,587)
Housing	443,105	511,915	(68,810)	(116,980)
Bookstore and Native Art Sales	541,168	429,015	112,153	200,599
Community Use	31,187	23,021	8,166	5,484
	$ 1,266,048	$ 1,285,160	$ (19,112)	$ (11,484)

Note 16 Investment Income

	2001	2000
Investment earnings	$ 246,756	$ 214,917
Add amounts transferred from deferred contributions (Note 9)	1,050	2,783
Less amounts transferred to deferred contributions (Note 9)		
Other	-	(1,373)
Scholarships and bursaries	(3,190)	(4,188)
	(3,190)	(5,561)
Total investment income recognized as revenue	$ 244,616	$ 212,139

Note 17 Expense by Function

	2001	2000
Instruction - Credit	$ 6,686,801	$ 5,788,053
Instruction - Non-Credit	405,408	455,688
Facilities operations and maintenance	3,262,423	2,908,363
Institutional support	1,836,575	1,394,893
Academic support	1,280,263	1,162,863
Student services	1,718,613	1,318,865
Ancillary services (Note 15)	1,285,160	1,882,942
Computing, network and communications	749,318	369,250
Special purpose trust	15,713	-
Total Expenses	$17,240,274	$15,280,917

Instruction encompasses all formal education and instructional program elements. Facilities operations and maintenance includes all costs of the daily operations of the buildings occupied by the College, property taxes and amortization on capital equipment and buildings. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the education and instruction elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of institution such as counselling, recreation and registrar's office. Ancillary services include direct and indirect costs of operating food services, native art sales, community use, housing and bookstore. Computing, network and communications includes all costs expended to maintain the College's hardware and software.

Note 18 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98:

	2001			2000
	Salary[1]	Benefits and Allowances[2]	Total	Total
Board Members (10)	$ 20,276	$ -	$ 20,276	$ 25,187
President [3]	97,092	16,506	113,598	110,490
Vice President of Student and College Services	90,415	15,370	105,785	93,070
Vice President of Academics	89,056	15,140	104,196	94,893
Coordinator of Power Engineering Program	84,497	14,364	98,861	94,316
Dean of Health, Business and Human Services	77,850	13,235	91,085	77,350

(1) Salaries includes regular base pay, bonuses, overtime and lump sum payments and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, short term and long term disability plans, and professional memberships required for employment. The benefit portion also includes accrual for all employees.

(3) The President has been provided with an automobile by the College for which no amount is included in the benefits and allowances.

Note 19 Changes in Working Capital

	2001	2000
Accounts receivable	$ (212,862)	$ 320,224
Inventories	(29,928)	(65,494)
Prepaid expenses	7,449	(22,657)
Accounts payable and accrued liabilities	405,559	(139,155)
Accrued vacation pay	103,983	28,681
Unearned revenue	31,878	31,810
Deferred contributions	(895,449)	262,594
	$ (589,370)	$ 416,003

Note 20 Commitments

Future minimum annual lease payments under operating leases and other commitments are:

2002	$ 684,567
2003	382,660
2004	337,182
2005	247,709
2006 and thereafter	78,480

Note 21 Art Collection

The College's art collection is comprised of:

(a) Native Cultural Arts Museum Collection

The Native Cultural Arts Museum Collection consists of Aboriginal art and craft works, which have been collected from across Canada and the United States. The majority of the pieces were purchased from artists and dealers. Students, staff and guest instructors have donated numerous pieces to the Collection. Articles from the Collection are used for displays, both on and off campus, and for instructional support in the Native Cultural Arts programs. All pieces in the Collection are numbered, photographed and described in the Collection records.

(b) Other Art Works

The College has also acquired, either through purchases or donation, other art works, which are displayed throughout the College buildings. Approximately 85% of the art display depicts native heritage. The mediums include watercolor, silkscreens, black and white photography, color photography and reproduced prints. The remainder of the display depicts the surrounding areas and peoples of Lac La Biche.

In the current fiscal year, the College received a contribution of artwork with a fair value of $346,300. This artwork is recorded as capital of the College.

Note 22 Related Parties

a) Significantly Influenced Organizations

(i) Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the "Childcare Association") through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $625 per month per child.

The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

The College, as owner of the buildings, provides the Childcare Association, at no charge, the space needed to operate a daycare, caretaking services, repairs, heating, lighting, telephone, parking spaces, furniture and equipment. For the year ending June 30, 2001, the College incurred related expenses of $118,171, (2000- $93,845) on behalf of the Childcare Association, which are reflected in the College's statement of operations. The space was provided by the Department of Infrastructure up to April 1, 2000, at which time the buildings were transferred to the College. The fair value of the space provided to the Childcare Association by the Department of Infrastructure was estimated to be $33,971 in 2000.

The College also provides $31,500, (2000-$31,500) annually to the Childcare Association to subsidize its operations which is reflected in the College's statement of operations. The College renewed its contract with the Childcare Association committing $31,500 for the year commencing July 1, 2001. There is an option to renegotiate and renew this contract at the completion of the contract.

Note 22 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(ii) Portage Aquatic Association

The Portage Aquatic Association (the "Aquatic Association") was incorporated under the Alberta Business Corporations Act. It operates the Aquatic Centre (the "Pool") with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The College has an agreement with the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students.

The College, as owner of the buildings, provide the Aquatic Association, at no charge, space, renovations, utilities, telephone (except long distance), pool chemicals and parking stalls for staff and patrons. For the year ended June 30, 2001, the College incurred related expenses of $272,597, (2000-$201,463) on behalf of the Aquatic Association, which are reflected in the College's statement of operations. In 1999/2000, the space was provided by the Department of Infrastructure up to April 1, 2000, at which time the buildings were transferred to the College. The fair value of the space provided to the Aquatic Association by the Department of Infrastructure is estimated to be $34,202 in 2000.

The College also provides the Aquatic Association an annual management fee of $35,000 (2000-$40,000) and an annual janitorial fee to a maximum of $25,200 which is reflected in the College's statement of operations. The College renewed its contract with the Aquatic Association committing a management fee of $28,000 and an annual janitorial fee to a maximum of $25,200 for the year commencing July 1, 2002. The Association agreed to embark in a 5 year business plan to eliminate the Management Fee. There is an option to renegotiate and renew this contract at the completion of the contract.

On behalf of students and to provide recreational programming, the College purchased $20,430 (2000-$25,815) in services from the Aquatic Centre during the year ended June 30, 2001.

Note 22 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(iii) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Portage College, Northern Lakes College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred is not determinable. As at June 30, 2001, this Corporation was not active.

(b) Cancelled Contract

Effective July 1, 1999, the College terminated its contract with a service provider which operated the College's bookstore and housing operations on behalf of the College. As a result of this, the College is now directly responsible for all aspects of the operations of housing and the bookstore which include the collection of all revenues and incurring all expenses.

During the current year, a surplus reserve in the amount of $150,000 was received from the service provider. These funds have been recorded as revenue and are reflected in the statement of operations.

Note 23 Contingencies

(a) Cancelled Contract

Further to note 22 (b), the College does not expect any future financial gain or loss in the relationship with the Society beyond this point.

(b) Pension Plan

In the transition process, the College and the Department of Learning have committed to the guiding principle that employees not be disadvantaged by the change in their employment. Employees that are members of the Management Employees Pension Plan have been permitted to remain as participants until December 31, 2002 and the College is pursuing a further extension. The possibility exists that the transfer of management employees from the Management Employees Pension Plan to the Local Authorities Pension Plan after December 31, 2002, may result in reduced pension benefits for some management employees which the College or the Department of Learning would likely be obligated to address. Since the outcome of negotiations cannot be predicted at this time, an estimate of the amount of the potential contingent loss to the College cannot be made. Accordingly, a liability has not been accrued in these financial statements.

Note 24 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The Board of Governors approved the College's Budget on July 4, 2000.

Note 25 Comparative Figures

The 2000 figures have been reclassified and restated where necessary to conform to 2001 presentation.

Note 26 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Schedule 1 Continuing Education Programming

	2001						
	Trades, Technical & Safety Training	Forestry Programs	Health Training	Computer & Office Training	Driver Training	Other	Total
Revenue	$ 597,199	$ 169,750	$ 121,605	$ 29,544	$ 105,911	$ 139,301	$ 1,163,310
Less:							
Direct Expenses:							
Salaries, wages and benefits	238,556	123,692	37,143	24,132	52,650	96,551	572,724
Supplies and bad debt expense	336,978	49,296	117,297	17,184	44,646	81,446	646,847
	575,534	172,988	154,440	41,316	97,296	177,997	1,219,571
Indirect costs (1)	108,288	33,989	23,383	5,909	731	21,620	193,920
Excess (deficiency) of revenue over expense	$ (86,623)	$ (37,227)	$ (56,218)	$ (17,681)	$ 7,884	$ (60,316)	$ (250,181)

The College actively works with industry, native communities and other organizations to provide customized training on a cost recovery basis. The College expects Continuing Education departments to cover all direct costs plus an estimated amount to cover indirect costs to deliver these programs - see footnote below.

Any revenues and expenditures related to Continuing Education program delivery can be grouped within any or all of the categories on the statement of operations.

(1) The amount shown as indirect cost is a calculated amount based on a percentage of gross program revenue ranging from 0.7% to a maximum of 20%.

RED DEER COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 2001 and the consolidated statements of revenue and expense, changes in net assets and cash flow for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that the Board is reporting a budgeted deficit of $959,000 in these financial statements. Section 16 of the Colleges Act requires that the Board adopt an annual budget and submit it to the Minister of Learning for approval. As described in Note 22, the Board did not approve this budget.

In addition, I report that the Board incurred a deficit for the year that contravened section 17 of the Colleges Act. Section 17 of the Colleges Act states that a board shall not incur any liability or make any expenditure unless the liability or expenditure can be provided for out of the board's annual income or from money available for the purpose, unless approved by the Minister of Learning. During the year the Board incurred expenditures that it could not provide for from annual income or from funds available for the purpose. The Minister of Learning did not provide approval for the deficit.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
October 24, 2001

AUDITOR
GENERAL
Alberta

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	2001	2000
ASSETS		
Current:		
Cash	$ 89,390	$ 462,471
Short term investments (Note 4)	2,528,449	4,095,668
Accounts receivable	3,330,509	3,214,820
Inventories	382,178	353,648
Prepaid expenses	190,197	158,716
	6,520,723	8,285,323
Investments (Note 4)	19,289,814	6,866,460
Art collections (Note 5)	920,635	920,635
Capital assets (Note 6)	46,666,627	42,540,003
	$ 73,397,799	$ 58,612,421
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,604,809	$ 3,512,166
Accrued vacation pay	2,591,466	2,327,530
Unearned revenue	993,538	1,133,869
Deferred contributions (Note 7)	892,933	1,050,306
Current portion of long-term debt (Note 10)	147,999	99,285
Current portion of capital lease obligation (Note 9)	328,534	253,765
	7,559,279	8,376,921
Long-term portion of capital lease obligation (Note 9)	238,415	215,052
Long-term debt (Note 10)	5,247,944	3,095,945
Deferred contributions for capital purposes (Note 8)	14,520,186	1,649,271
Unamortized deferred capital contributions (Note 12)	26,707,403	25,803,717
	54,273,227	39,140,906
Net assets:		
Endowments (Note 13)	4,769,628	4,494,058
Investment in capital assets and art collections	14,916,967	13,992,874
Internally restricted (Note 14)	-	984,583
Unrestricted net assets	(562,023)	-
	19,124,572	19,471,515
	$ 73,397,799	$ 58,612,421

The accompanying notes are part of these financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2001

	Budget (Note 22)	2001	2000
Revenue:			
Grants, Province of Alberta	$ 20,036,228	$ 21,078,495	$ 20,730,910
Educational contracts	1,000,000	809,995	1,579,558
Tuition and related fees (Note 16)	11,750,590	11,789,270	10,570,048
Ancillary services (Note 17)	4,519,680	5,183,285	4,789,379
Sales, rentals and services	924,540	1,080,649	1,103,409
Investment income (Note 18)	380,000	760,346	563,727
Donations and interest	443,000	534,547	810,090
Amortization of deferred capital contributions (Note 12)	1,800,000	1,512,926	1,727,971
	40,854,038	42,749,513	41,875,092
Expense:			
Salaries and benefits	26,784,377	27,397,328	25,366,436
Supplies and services	9,025,417	9,309,847	9,792,270
Utilities	1,196,967	1,451,708	1,178,773
Scholarships and bursaries	311,000	217,378	348,621
Cost of goods sold	1,895,277	2,053,859	1,952,466
Amortization of capital assets and write-down of capital assets	2,600,000	2,941,906	3,076,966
	41,813,038	43,372,026	41,715,532
Excess (deficiency) of revenue over expense	$ (959,000)	$ (622,513)	$ 159,560

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

	2001					2000
	Endowments	Investment in Capital Assets and Art Collections	Internally Restricted	Unrestricted Net Assets	Total	Total
	(Note 13)		(Note 14)			
Beginning of year	$ 4,494,058	$ 13,992,874	$ 984,583	$ -	$19,471,515	$19,228,245
Excess (deficiency) of revenue over expense				(622,513)	(622,513)	159,560
Endowments received	171,647	-	-	-	171,647	20,330
Interest income added to endowment principal (Note 18)	103,923	-	-	-	103,923	63,380
Transfers:						
Purchase of capital assets	-	1,862,168	-	(1,862,168)	-	-
Amortization	-	(1,222,796)	-	1,222,796	-	-
Write-down of capital assets	-	(206,184)	-	206,184	-	-
Repayment of long-term debt and capital lease	-	490,905	-	(490,905)	-	-
Board allocation from internally restricted net assets	-		(984,583)	984,583	-	-
	$ 4,769,628	$ 14,916,967	$ -	$ (562,023)	$19,124,572	$19,471,515

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
Cash generated from operating activities:		
Excess (deficiency) of revenue over expense	$ (622,513)	$ 159,560
Add:		
Amortization of capital assets	2,735,722	2,540,921
Write-down of capital assets	206,184	536,045
Change in pension obligation	-	(363,029)
Amortization of deferred capital contributions	(1,512,926)	(1,727,971)
	806,467	1,145,526
Changes in non-cash working capital accounts (Note 20)	(1,116,825)	462,764
Cash generated from (provided to) operating activities	(310,358)	1,608,290
Investing activities:		
Acquisition of capital assets		
Internally funded	(1,862,168)	(461,588)
Externally funded	(2,416,612)	(1,061,887)
Funded by long-term debt	(2,300,000)	(2,700,000)
Funded by capital lease	(489,752)	(399,418)
Acquisition of long-term investments	(12,423,354)	(1,618,601)
Cash applied to investing activities	(19,491,886)	(6,241,494)
Financing activities:		
Repayment of long-term debt	(99,286)	(48,221)
Addition of capital lease	489,752	399,418
Repayment of capital lease	(391,619)	(468,258)
Capital contributions (Note 8)	15,287,527	2,505,915
Endowment contributions	275,570	83,710
Addition of long-term debt	2,300,000	2,700,000
Cash generated from financing activities	17,861,944	5,172,564
Increase (decrease) in cash and short-term investments	(1,940,300)	539,360
Cash and short-term investments net of bank indebtedness, at beginning of year	4,558,139	4,018,779
Cash and short-term investments net of bank indebtedness, at end of year	$ 2,617,839	$ 4,558,139

RED DEER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Colleges Act, Chapter C-18, Revised Statutes of Alberta 1980, as amended.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training, and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer College Foundation.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital grants are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Restricted contributions and pledges are recognized as revenue if the amounts have been received and the related expenses have been incurred. Unrestricted contributions and pledges are recognized as revenue when received.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Donations of capital assets that will not be amortized, and artwork collections are recognized as direct increases in net assets. Permanent impairment in values of these items is recognized as a reduction in net assets.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Inventories of supplies for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale. Where a permanent impairment in the value of the investment has been established, a change to income will be recognized as an unrealized loss on investments.

(e) Art Collections

Art collections are recorded at cost except for donated items which are recorded at fair market value at the time of receipt. The recorded amount is reduced for any subsequent permanent impairment.

(f) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furnishings, equipment and vehicles	3 to 10 years
Library	10 years
Computer software	5 years

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs are disclosed as a part of salaries and wages and are comprised of the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Change in Accounting Policy

The College has changed its method of accounting for its participation in multi-employer defined benefit pension plans. The College now records pension expense equivalent to its annual contributions payable during the year. The College's portion of the pension plan's deficit or surplus is no longer recorded by the College. This change in accounting policy has been applied retroactively without restatement of comparative amounts. Due to the elimination of the unfunded obligation in respect of pre-1992 service for the plan which occurred in the College's 2000 fiscal year, this change in accounting policy did not result in any changes to the College's 2001 operating results or opening net assets figure.

Note 4 Investments

Investments are summarized as follows:

	2001	2000
Bonds and coupons	$ 9,621,385	$8,846,096
Mutual funds and stocks	11,846,878	1,166,032
Treasury bills and other	350,000	950,000
	21,818,263	10,962,128
Held as long-term investments	(19,289,814)	(6,866,460)
Short-term investments	$ 2,528,449	$4,095,668

The estimated market value of the long-term investments is $22,035,441 (2000 $9,305,209). The estimated market value of the short-term investments approximates their carrying value.

The College's exposure to interest rate risk at June 30, 2001 relates to its investments portfolio of $21,818, 263. The College's fixed income investments of $9,621,385 have an effective interest rate of 6.13%. The rate of return on the balance of the portfolio, comprised of mutual fund holdings, is dependent on the fund's performance.

Note 4 Investments (continued)

These investments mature as follows:

	Cost
Non maturing (Mutual Funds)	$ 11,846,878
2001	1,206,000
2002	1,005,050
2004	1,289,000
2007	170,787
2008	479,973
2010	293,220
2014	446,470
2015	751,946
2016	137,742
2017	593,990
2018	552,622
2019	274,677
2020	208,950
2021	304,323
2022	60,080
2023	24,954
2025	69,725
2026	293,627
2028	799,852
2031	240,774
2032	54,302
2034	248,449
2040	464,872
	$ 21,818,263

Note 5 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities.

Note 6 Capital Assets

(a) Summary of Cost and Net Book Value

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 8,823,977	$ -	$ 8,823,977	$ 8,823,976
Buildings and site improvements	56,976,054	25,348,785	31,627,269	28,144,763
Library	959,538	631,082	328,456	294,017
Furnishings and equipment	14,394,796	9,240,533	5,154,263	4,168,923
Computer software	2,717,683	2,165,872	551,811	940,601
Vehicles	394,538	213,687	180,851	167,723
	$84,266,586	$ 37,599,959	$46,666,627	$ 42,540,003

(b) Capital Acquisitions

Capital acquisitions during the year included equipment donations in kind with a fair value at the time of receipt of $ 14,700 (2000 $2,000).

(c) Capital Lease

Furnishings and equipment include leased computer equipment with a cost of $1,154,540 and a net book value of $943,737.

(d) Assets under construction are included in buildings and site improvements with a cost of $648,826 and amortization will commence when the assets are put in service.

Note 7 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2001	2000
Contributions:		
Grants	$ 1,986,196	$3,040,893
Donations	378,171	503,814
Interest	335,889	280,671
	2,700,256	3,825,378
Transferred to revenue:		
Grants	2,173,290	2,853,792
Donations and Interest	534,547	810,123
	2,707,837	3,663,915
Transfer to endowments	109,792	-
Transfer to funds held on behalf of others	40,000	-
	149,792	-
Increase (decrease) during the year	(157,373)	161,463
Deferred contributions at beginning of year	1,050,306	888,843
Deferred contributions at end of year	$ 892,933	$1,050,306

The balance consists of funds restricted for:

	2001	2000
Scholarships and bursaries	$ 248,137	$ 142,840
Program funding	644,796	907,466
	$ 892,933	$1,050,306

Note 8 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent contributions externally restricted for capital purposes.

	2001	2000
Contributions:		
Grants	$ 14,416,295	$2,240,277
Donations	813,718	256,107
Interest	57,514	9,531
	15,287,527	2,505,915
Transfer to unamortized deferred capital contributions (Note 12)	2,416,612	1,061,887
Increase during the year	12,870,915	1,444,028
Deferred contributions at beginning of year	1,649,271	205,243
Deferred contributions at end of year	$ 14,520,186	$ 1,649,271

Note 9 Capital Lease Obligation

Capital lease obligation is comprised of the following:

Capital lease at 8.3% interest rate expiring July 1, 2001	$ 29,665
Capital lease at 11.48% interest rate expiring May 1, 2002	154,260
Capital lease at 6.06% interest rate expiring August 1, 2002	18,663
Capital lease at 12.77% interest rate expiring December 1, 2002	8,436
Capital lease at 6.67% interest rate expiring August 25, 2003	11,938
Capital lease at 6.67% interest rate expiring August 24, 2003	67,398
Capital lease at 6.67% interest rate expiring August 24, 2003	84,389
Capital lease at 6.67% interest rate expiring August 24, 2003	116,846
Capital lease at 6.60% interest rate expiring Octobert 1, 2003	32,068
Capital lease at 6.60% interest rate expiring Octobert 17, 2003	33,222
Capital lease at 6.67% interest rate expiring December 16, 2003	10,064
	$ 566,949

The obligations are secured by the equipment under capital lease.

Future minimum lease payments are due as follows:

2001	$ 360,025
2002	224,756
2003	22,091
	606,872
Less amount representing interest	39,923
	566,949
Less current portion	328,534
	$ 238,415

Note 10 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	2001	2000
Student residences, debenture maturing November 1, 2007 at 7.25% per annum interest	$ 443,449	$ 495,230
Student residences, debenture maturing April 3, 2025 at 6.25% per annum interest	2,652,494	2,700,000
Student residences, debenture maturing April 2, 2026 at 6.00% per annum interest	$2,300,000	-
Total long-term debt	5,395,943	3,195,230
Less current portion	147,999	99,285
	$5,247,944	$3,095,945

The repayment of principal in the next five fiscal years is as follows:

2002	$ 147,999
2003	157,773
2004	168,198
2005	179,318
2006	191,180

The student residences loans are secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence buildings.

Note 11 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $932,411 for the year ended June 30, 2001 (2000 - $879,952).

At December 31, 2000 the Local Authorities Pension Plan reported a surplus of $883,823,000 (1999 - $880,358,000).

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2001	2000
Balance at beginning of year	$25,803,717	$26,469,801
Add amount transferred from deferred contributions (Note 8)	2,416,612	1,061,887
Less amount amortized to revenue	(1,512,926)	(1,727,971)
	$26,707,403	$25,803,717

Note 13 Endowments

Endowments are comprised of externally and internally restricted amounts which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $394,915 in 2001 (2000 $394,915).

Note 14 Planned Expenditures and Net Assets Internally Restricted

The Board has approved the following planned expenditures. Management intends to meet planned expenditures through future revenues.

	2001	2000
Innovative instruction	$350,778	$ 313,843
Student residences	309,017	500,150
Extension services	-	109,328
Cafeteria	-	125,568
Other	190,865	149,741
Investing In Our Future Fund	93,191	212,741
Planned expenditures	943,851	1,411,371
Planned expenditures in excess of available net assets	(943,851)	(426,788)
Net assets internally restricted	$ -	$ 984,583

Note 15 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows in the Consolidated Statement of Revenue and Expense or as part of the deferred contributions balance on the Consolidated Statement of Financial Position:

	Revenue	Deferred Contributions	Deferred Capital Contributions
Operations grant	$ 18,609,163	$ -	$ -
Conditional performance	296,042	-	-
Access	1,400,955	285,848	2,335,297
Infrastructure renewal	-	-	815,606
Apprenticeship	-	-	265,392
Alberta Learning Energy Grant	299,393	-	-
Expansion Grant	-	-	11,000,000
	$ 20,605,553	$ 285,848	$14,416,295

Note 16 Tuition Fees

Pursuant to the Colleges Act, Red Deer College's revenue from tuition fees was less than 30% of its net operating expenditures. For the year ended June 30, 2001, the percentage of tuition revenue to net operating expenses was 29% based on revenue from tuition fees of $8,103,802 and net operating expenses of $27,599,811.

Note 17 Ancillary Services

Ancillary services results are as follows:

	Revenue	Direct Expense	2001 Net	2000 Net
Bookstore	$ 2,667,106	$ 2,361,295	$ 305,811	$ 323,068
Student residences	1,576,428	1,391,496	184,932	99,809
Child care centres	552,204	545,669	6,535	37,295
Parking and security	387,547	263,432	124,115	51,010
	$ 5,183,285	$ 4,561,892	$ 621,393	$ 511,182

Note 18 Investment Income

	2001	2000
Investment earnings in the year	$1,257,672	$ 917,309
Amounts deferred in the year	(393,403)	(290,202)
Investment earnings credited directly to endowments	(103,923)	(63,380)
Investment earnings on unrestricted resources	$ 760,346	$ 563,727

Note 19 Salaries and Benefits

	2001				2000	
	Number of Individuals [3]	Salary[1]	Benefits and Allowances[2]	Total	Number of Individuals [3]	Total
Chairman of the Board	1	$ 3,000	$ -	$ 3,000	1	$ 3,000
Board members	6	11,768	216	11,984	9	13,537
President	1	137,500	11,433	148,933	1	146,272
Vice President Education	1	113,462	10,288	123,750	1	114,467
Vice President Administrative Services	1	108,059	8,741	116,800	1	111,103
Director, Human Resources	1	100,463	11,337	111,800	1	106,659
Director of Advancement	1	90,734	9,057	99,791	1	75,813
		$ 564,986	$ 51,072	$ 616,058		$ 570,851

(1) Salary includes regular base pay, sabbatical salaries, overtime and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension Plan, Teachers' Retirement Fund, Canada Pension Plan, employment insurance, workers' compensation, health care, dental coverage, extended health care, group life and accidental death and dismemberment insurance, professional memberships and tuitions, travel allowances and vacation payouts.

(3) Full-time staff consists of all individuals working 29 hours or more per week.

Note 20 Changes in Non-Cash Working Capital

	2001	2000
Accounts receivable	$ (115,689)	$ (794,109)
Inventories	(28,530)	315,773
Prepaid expenses	(31,481)	191,287
Accounts payable and accrued liabilities	(907,357)	1,103,550
Vacation pay	263,936	302,700
Unearned revenue	(140,331)	(817,900)
Deferred contributions	(157,373)	161,463
	$ (1,116,825)	$ 462,764

Note 21 Commitment

Prior to June 30, 2001, the College entered into agreements for the construction and renovation of buildings. These projects were commenced prior to the year end and the additional costs which will be incurred subsequent to the year end are estimated at $12,880,000.

Note 22 Budget

The budget was approved by the Corporate Leadership Team on March 13, 2000 and provided to the Board of Governors on May 8, 2000.

Note 23 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 24 Approval of Financial Statements

These consolidated financial statements have been reviewed by the Audit Committee and recommended to the Board of Governors for approval.

The Northern Alberta Institute of Technology

Consolidated Financial Statements

June 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Changes in Net Assets

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Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Northern Alberta Institute of Technology as at June 30, 2001 and the consolidated statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 20, 2001

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2001

(in thousands)

	2001	2000 Restated See Note 3
ASSETS		
Current:		
Short-term investments (Note 4)	$ 3,942	$ 4,801
Account receivable (Note 5)	5,599	5,219
Contributions and pledges receivable (Note 7)	2,155	-
Inventories (Note 6)	3,352	3,236
Prepaid expenses	486	427
	15,534	13,683
Contributions and pledges receivable (Note 7)	10,247	6,645
Long-term investments (Note 4)	37,031	34,089
Capital assets (Note 8)	149,764	142,354
	$ 212,576	$ 196,771
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ 395	$ 1,576
Accounts payable & accrued liabilities	13,752	10,414
Accrued vacation pay	9,522	8,631
Unearned revenue	5,976	4,961
Current portion of long term leases (Note 20(b))	267	272
Deferred contributions (Note 9)	4,960	1,970
	34,872	27,824
Long-term:		
Deferred contributions for capital purposes (Note 10)	15,075	13,375
Long-term leases (Note 20(b))	384	604
Pension obligation (Note 11)	-	173
Unamortized deferred capital contributions (Note 12)	84,291	76,958
	134,622	118,934
Net Assets:		
Unrestricted net assets	4,071	5,051
Internally restricted (Note 14)	1,713	2,421
Invested in capital assets	64,822	64,520
Endowments (Note 13)	7,348	5,845
	77,954	77,837
	$ 212,576	$ 196,771

NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

(in thousands)

	2001					2000
	Unrestricted	Internally Restricted (Note 14)	Invested in Capital Assets	Endowment (Note 13)	Total	Total
Revenue:						
Grants	$ 78,684				$ 78,684	$ 73,703
Earned revenue programs	20,225				20,225	18,361
Tuition fees	18,926				18,926	17,275
Ancillary services (Note 15)	12,376				12,376	12,255
Amortization of deferred capital contributions	5,402				5,402	5,206
Investment earnings (Note 16)	3,000				3,000	4,018
Sales, rentals and services	3,215				3,215	2,198
Fundraising and donations	2,120				2,120	1,066
	143,948	-	-	-	143,948	134,082
Expense:						
Salary & benefits (Note 17)	92,197				92,197	86,905
Supplies & services (Note 18)	35,906				35,906	32,023
Amortization of capital assets	10,564				10,564	9,448
Utilities	5,002				5,002	3,740
Facilities rentals	873				873	551
Scholarships, bursaries & prizes	624				624	531
Loss on disposal of capital assets	168				168	3
	145,334	-	-	-	145,334	133,201
Excess (deficit) of revenue over expense	(1,386)	-	-	-	(1,386)	881
Release of internally restricted net assets for current operating activities	1,069	(1,069)			-	-
Endowment contributions (restated - Note 3)				1,503	1,503	1,043
Amortization of assets acquired with unrestricted net assets	5,162		(5,162)		-	-
Book value of capital asset disposed	249		(249)		-	-
Purchases of capital assets	(2,575)	(2,913)	5,488		-	-
Repayment of long term lease	(225)		225		-	-
Board allocation to internally restricted net assets	(3,274)	3,274			-	-
Change in Net asset balance	(980)	(708)	302	1,503	117	1,924
Net asset balance, beginning of year, restated - Note 3	5,051	2,421	64,520	5,845	77,837	75,913
Net asset balance, end of year	$ 4,071	$ 1,713	$ 64,822	$ 7,348	$ 77,954	$ 77,837

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2001

(in thousands)

	2001	2000
Cash provided from (used in) operating activities:		
Excess (deficit) of revenue over expense	$ (1,386)	$ 881
Non-cash transactions:		
Amortization of capital assets	10,564	9,448
Loss on disposal of assets	168	3
Change in pension obligation	(173)	(1,247)
Amortization of deferred capital contributions	(5,402)	(5,206)
Cash generated from operations	3,771	3,879
Changes in non-cash working capital accounts (Note 19)	5,524	(2,737)
	9,295	1,142
Cash provided from (used in) investing activities:		
Acquisition of capital assets:		
Externally funded (Note 10)	(12,735)	(4,049)
Internally funded	(5,488)	(5,898)
	(18,223)	(9,947)
Proceeds from disposal of capital assets	81	148
Proceeds from (purchase of) long-term investments - net	(2,942)	2,298
	(21,084)	(7,501)
Cash provided from (used in) financing activities:		
Deferred contributions for capital purposes (Note 10)	11,373	8,652
Long-term leases	(225)	(225)
Endowment contributions (Note 13)	963	593
	12,111	9,020
Net increase in short-term investments, net of change in bank indebtedness	322	2,661
Short-term investments at beginning of year, net of bank indebtedness	3,225	564
Short-term investments at end of year, net of bank indebtedness	$ 3,547	$ 3,225
Represented by:		
Short-term investments	$ 3,942	$ 4,801
Bank indebtedness	(395)	(1,576)
	$ 3,547	$ 3,225

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001
(in thousands)

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (the "Institute") operates under the authority of the Technical Institutes Act, Chapter T-3.1, Statutes of Alberta 1981. The Institute offers career-orientated training in business, computer systems, architectural and engineering technologies, environmental and laboratory technologies, health sciences, hospitality and applied arts for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

a) Consolidation

The financial statements include the accounts of the Institute and The Northern Alberta Institute of Technology Foundation (operating as NAIT Development Office).

b) Revenue Recognition

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions at fair value when a fair value can be reasonably estimated. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue but are recorded as direct increases in net assets in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that compliance with all restrictions have been met.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets. Investment earnings on externally restricted contributions are deferred until restrictions have been met.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services provided.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

b) Revenue Recognition (continued)

Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as fundraising and donations revenue, deferred contributions or endowment as applicable.

c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Inventories of supplies for consumption are valued at the lower of cost or replacement value.

d) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of the instruments.

e) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	2 to 10 years
Software	2 to 5 years
Library holdings	10 years

f) Employee Future benefits

The Institute and its eligible employees participate in the Local Authorities and Management Employees Pension Plans. These plans are multi-employer defined benefit pension plans, administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

Note 3 Change in Accounting Policy

a) Contributions and Pledges Receivable

The Institute changed its accounting policy to record contributions and pledges that can be reasonably estimated and where ultimate collection is reasonably assured as an asset, with the corresponding amounts being recorded as deferred contributions or endowments as applicable. Details of the contributions and pledges receivable are disclosed in Note 7. This change had no effect on the Statement of Operations or the Statement of Cash Flow.

Note 3 Change in Accounting Policy – continued

a) Contributions and Pledges Receivable - continued

This adjustment has been applied retroactively with the prior years financial statements being restated as follows:

	Previously Reported June 30, 2000	Adjustment	Restated Balance June 30, 2000
Statement of Financial Position			
Other Assets			
Contributions and pledges receivable	-	6,645	6,645
Liabilities			
Deferred contributions for capital purposes	7,180	6,195	13,375
Net Assets			
Endowments	5,395	450	5,845
Statement of Changes in Net Assets			
Endowment contributions	593	450	1,043

b) Employee Future Benefits

The Institute changed its method of accounting for its participation in multi-employer defined benefit pension plans and other employee future benefit plans. This change in accounting policy has been applied on a prospective basis and has no material effect on these financial statements.

Note 4 Investments

Short-term and long-term investments are recorded at cost or amortized cost. Fair value is based upon the quoted market price of the securities. Gains or losses are recognized as investment income in the year of sale.

The Institute's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the Institute are at all times prudently invested and not subject to any undue risk or loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

a) Short-term Investments

Short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 4.48% (2000: 5.76%). The effective yield of 4.48% (2000: 5.76%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2001. Carrying value of these securities approximates fair value and does not include accrued interest.

The balance of $3,942 (2000: $4,801) at the end of the year represents the Institute's current cash flow requirements. The Institute manages an additional $2,890 (2000: $2,991) of short-term investments as Funds Held on Behalf of Others (Note 23), which are not included in the consolidated financial statements.

The Institute's investment guidelines restrict holdings of short-term investments to high quality and liquid securities where rate of return performance standard is the return on 91-day Canadian Treasury Bills.

b) Long-term Investments

	2001		2000	
	Cost	Market Value	Cost	Market Value
	(in thousands)			
Government of Canada bonds	$ 11,698	$ 11,868	$ 11,744	$ 11,799
Provincial bonds	5,496	5,295	5,525	5,315
Corporate bonds	8,507	8,762	6,479	6,721
Mortgage backed bonds	1,002	988	-	-
Equities	10,150	11,916	10,189	10,822
Other	178	184	152	191
	$ 37,031	$ 39,013	$ 34,089	$ 34,848
Equities are comprised of:				
Canadian equities	$ 8,304	$ 9,958	$ 8,325	$ 8,914
Foreign equities	1,846	1,958	1,864	1,908
	$ 10,150	$ 11,916	$ 10,189	$ 10,822

	2001	2000
Government of Canada Bonds		
Weighted average years to maturity	3.5 years	4.3 years
Weighted average interest rate	6.36%	6.52%
Effective yield based on purchase price	6.02%	6.07%
Provincial Bonds		
Weighted average years to maturity	9.4 years	10.4 years
Weighted average interest rate	6.64%	6.62%
Effective yield based on purchase price	5.80%	5.80%
Corporate Bonds		
Weighted average years to maturity	5.9 years	7.6 years
Weighted average interest rate	7.34%	7.60%
Effective yield based on purchase price	6.67%	7.01%

Mortgage backed bonds		
Weighted average years to maturity	5.0 years	-
Weighted average interest rate	5.53%	-
Effective yield based on purchase price	5.46%	-

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the carrying value at June 30, 2001.

Risk is reduced by the requirement that all bonds must be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency.

Risk is reduced with respect to Canadian equities by holding a diversified selection of a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.

Risk is reduced with respect to the foreign equities by limiting investment to a maximum of 20% of the market value of the total equity portfolio with no more than one-third of the funds invested in emerging markets. Cash flows are denominated in US dollars.

Note 5 Accounts Receivable

	2001	2000
	(in thousands)	
Foreign trade receivables	$ 647	$ 486
Other trade receivables	4,630	4,426
Accrued interest on investment	322	307
	$ 5,599	$ 5,219

Note 6 Inventories

	2001	2000
	(in thousands)	
Bookstore	$ 1,826	$ 1,664
Resources & Environment	484	355
General stores	320	415
Applied Building Sciences	216	226
Mechanical & Manufacturing	168	236
Maintenance	144	152
Electrical & Electronics	136	103
Other	58	85
	$ 3,352	$ 3,236

Note 7 Contributions and Pledges Receivable

	Balance June 30, 2000	Increase during the year	Collected during the year	Balance June 30, 2001
		(in thousands)		
Current Contributions and pledges receivable				
Deferred Contributions (Note 9):				
Centre for Chemical Studies renovations	$ -	$ 877	$ (104)	$ 773
Access Programs	-	847	-	847
General student awards	-	825	(290)	535
	-	2,549	(394)	2,155
Non-current contributions and pledges receivable				
Deferred Contributions for Capital Purposes (Note 10):				
NAIT COMPAQ Centre for Information and Communications Technology				
Alberta Government contribution	5,844	12,815	(11,844)	6,815
Pledged donations	-	2,553	(1,273)	1,280
	5,844	15,368	(13,117)	8,095
Centre for Welding Technology	351	281	(92)	540
Access Programs	-	622	-	622
	6,195	16,271	(13,209)	9,257
Endowments (Note 13)	450	1,391	(851)	990
	6,645	17,662	(14,060)	10,247
Total Contributions and pledges receivable	$ 6,645	$ 20,211	$ (14,454)	$ 12,402

The Contributions and Pledges Receivable as at June 30, 2001 are due as follows:

	Alberta Government Contributions	Pledged Donations	Total
		(in thousands)	
2002	$ 8,284	$ 1,246	$ 9,530
2003	-	1,054	1,054
2004	-	912	912
2005	-	575	575
2006	-	267	267
2007 and beyond	-	64	64
	$ 8,284	$ 4,118	$ 12,402

Note 8 Capital Assets

a) Summary of Cost and Net Book Value

	2001			2000
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land	$ 31,400	$ -	$ 31,400	$ 31,400
Buildings, leasehold and site improvements	139,812	57,688	82,124	85,598
Furnishings, equipment and vehicles	66,411	47,803	18,608	17,913
Software	6,313	2,662	3,651	4,675
Leased equipment	1,322	464	858	1,013
Library	2,281	1,563	718	618
Projects in progress	12,405	-	12,405	1,137
	$ 259,944	$ 110,180	$ 149,764	$ 142,354

b) Net Book Value of Capital Assets are comprised as follows:

	2001	2000
	(in thousands)	
Externally funded (unamortized deferred capital contributions - Note 12)	$ 84,291	$ 76,958
Internally funded (invested in capital assets)	64,822	64,520
Long-term capital leases	651	876
	$ 149,764	$ 142,354

c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $269 (2000: $758).

Note 9 Deferred Contributions

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2001	2000
	(in thousands)	
Contributions:		
Grants	$ 8,536	$ 6,288
Fundraising & donations	1,438	1,071
Earned revenue programs	324	735
Investment earnings	422	311
	10,720	8,405
Net increase in:		
Contributions receivable	847	-
Pledges receivable	1,308	-
	12,875	8,405
Transferred to:		
Grants revenue	(7,320)	(7,667)
Fundraising & donations	(1,728)	(1,066)
Earned revenue programs	(545)	(261)
Investment earnings	(272)	(330)
Endowments (Note 13)	(20)	(154)
	(9,885)	(9,478)
Increase (decrease) during the year	2,990	(1,073)
Deferred contributions, beginning of year	1,970	3,043
Deferred contributions, end of year	$ 4,960	$ 1,970

The balance consists of funds restricted for/by:

	2001	2000
	(in thousands)	
Access programs	$ 2,178	$ 322
Scholarships and bursaries	1,266	547
Facilities Infrastructure Renewal	612	-
Renovation projects	314	-
Students Athletics	253	474
Learning Enhancement Envelope	148	186
Other	119	35
Project sponsorships	70	35
Knowledge Networks	-	371
	$ 4,960	$ 1,970

Note 10 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent funds externally restricted for capital purposes.

	2001	2000 Restated
	(in thousands)	
Contributions:		
Grants	$ 10,253	$ 7,149
Fundraising & donations	1,112	1,499
Investment earnings	8	4
	11,373	8,652
Net increase (decrease) in:		
Contributions receivable	1,593	5,844
Pledges receivable		
NAIT COMPAQ Centre for Information and Communication Technology	1,280	-
Centre for Welding Technology	189	351
	14,435	14,847
Transferred to unamortized deferred capital contributions (Note 12)	(12,735)	(4,049)
Increase during the year	1,700	10,798
Deferred contributions for capital purposes, beginning of year	13,375	2,577
Deferred contributions for capital purposes, end of year	$ 15,075	$ 13,375

The balance consists of funds restricted for/by:

	2001	2000
	(in thousands)	
NAIT COMPAQ Centre for Information and Communications Technology	$ 13,673	$ 9,580
Access programs	1,362	831
Other	40	234
Facilities Infrastructure Renewal	-	2,277
Centre for Welding Technology	-	351
Equipment Infrastructure Renewal	-	102
	$ 15,075	$ 13,375

Note 11 Pension Costs (Employee Benefits)

The pension expense recorded in these consolidated financial statements is equivalent to the Institutes' annual contributions payable of $3,840 for the year ended June 30, 2001 (2000 $3,512).

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions are as follows:

	2001	2000
	(in thousands)	
Balance at beginning of year	$ 76,958	$ 78,115
Add:		
Amount transferred from deferred contributions for capital purposes (Note 10)	12,735	4,049
Less:		
Amortization of deferred capital contributions	(5,402)	(5,206)
Balance at end of year	$ 84,291	$ 76,958

Note 13 Endowments

	2001	2000
	(in thousands)	Restated
Fundraising and Donations	$ 943	$ 439
Transferred from Deferred Contributions (Note 9)	20	154
	963	593
Net increase in pledges receivable	540	450
Increase during year	1,503	1,043
Endowments, beginning of year	5,845	4,802
Endowments, end of year	$ 7,348	$ 5,845

The balance consists of:

	2001	2000
	(in thousands)	
Scholarships and bursaries	$ 4,965	$ 3,534
General	1,953	1,898
Staff Development	235	230
Business Conference	195	183
	$ 7,348	$ 5,845

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent those commitments for which the Board has appropriated funds from the unrestricted net assets. These appropriations do not have interest earnings allocated to them. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations from unrestricted net assets	Disbursements during the year	Balance at end of year
		(in thousands)		
Appropriation for capital activities:				
NAIT COMPAQ Centre for Information and Communications Technology	$ 945	$ 2,762	$ 2,612	$ 1,095
Development Office	152	(17)	135	-
Incentive funding	21	18	12	27
Coursepack royalties	-	87	87	-
Innovation funding	-	67	67	-
	1,118	2,917	2,913	1,122
Appropriation for operating activities:				
NAIT COMPAQ Centre for Information and Communications Technology	-	59	59	-
Information systems renewal	750	-	701	49
Coursepack royalties	304	11	182	133
Innovation funding	234	236	99	371
Homag equipment lease	15	20	3	32
Student Laptop Technology	-	31	25	6
	1,303	357	1,069	591
	$ 2,421	$ 3,274	$ 3,982	$ 1,713

Note 15 Ancillary Services

	2001			2000
	Revenue	Expense	Net	Net
		(in thousands)		
Bookstore	$ 11,007	$ 10,311	$ 696	$ 538
Food Services	3,250	2,705	545	454
Parking	1,157	593	564	448
	15,414	13,609	1,805	1,440
Less internal sales:				
Bookstore	(2,785)	(2,461)	(324)	(229)
Food Services	(238)	(238)	-	-
Parking	(15)	(15)	-	-
	$ 12,376	$ 10,895	$ 1,481	$ 1,211

Note 16 Investment Earnings

	2001		2000	
	(in thousands)			
Investment earnings from unrestricted sources	$	2,728	$	3,688
Investment earnings recognized from restricted sources		272		330
	$	3,000	$	4,018

Note 17 Salary Disclosure

	2001			2000
	Salary[1]	Benefits and Allowances [2]	Total	Total
	(in thousands)			
Chairman of The Board	$ -	$ -	$ -	$ -
Board Members	-	-	-	-
President [3]	160	13	173	153
Vice-Presidents				
Finance & Administration	124	13	137	120
Academic and Student Services	125	6	131	114
Advancement (part year)	100	3	103	-
Student & Information Services	-	-	-	123
Academic Dean [4]	96	13	109	106

[1] Salary includes regular base pay, performance bonuses, and lump sum payments and honoraria.

[2] Benefits and allowances include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans and professional memberships required for employment.

[3] The President has been provided with an automobile by the Institute for which no amount is included in the benefits and allowances.

[4] Each of the Academic Deans are on the same salary scale. The amount reported represents the maximum of the scale and the corresponding benefit.

Note 18 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2001 (in thousands)	2000
Cost of Goods Sold	$ 9,331	$ 9,190
Purchased labour	6,825	5,901
Repairs, maintenance, renovations	6,728	5,506
Classroom, lab and office supplies	5,153	4,301
Purchased services	2,441	2,453
Travel, Staff Development	2,054	1,873
Administrative expenses	1,937	1,658
Fundraising and donations	995	710
Meetings, hospitality	442	431
	$ 35,906	$ 32,023

Note 19 Changes in Non-Cash Working Capital Accounts

	2001 (in thousands)	2000
Accounts receivable	$ (380)	$ (1,885)
Contributions and pledges receivable	(2,155)	-
Inventories	(116)	140
Prepaid expenses	(59)	106
Account payable and accrued liabilities	3,338	(1,007)
Accrued vacation pay	891	27
Unearned revenue	1,015	955
Deferred contributions	2,990	(1,073)
	$ 5,524	$ (2,737)

Note 20 Commitments

(a) The future minimum payments of $795 for operating leases expiring June 2002, with options for renewal.

(b) The following is a schedule of future minimum payments as of June 30, 2001 under capital leases:

	(in thousands)
2002	$ 267
2003	264
2004	136
2005	136
Total minimum lease payments	803
Less: long-term lease premium	(152)
	$ 651

Balance comprised of:	
Current portion of long-term lease	$ 267
Long-term lease liability	384
	$ 651

(c) The Institute commenced construction during the year of the NAIT COMPAQ Centre for Information and Communications Technology, which is scheduled to open September 2002. Construction costs will not exceed the funding as outlined in Note 22.

Note 21 Contingent Liabilities

The Institute is a defendant in a number of legal proceedings. Claims against the Institute in these proceedings have not been reflected in these financial statements. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claims, if any, will be charged to operations upon settlement.

Note 22 Planned Expenditure

NAIT has the following infrastructure renewal plan for the four years commencing July 1, 2001 and ending June 30, 2005:

	(in thousands)
Equipment renewal	
Cash generated from future operations	$ 15,680
Alberta Learning	1,290
	16,970
Existing facilities renewal	
Alberta Learning	6,856
Cash generated from future operations	4,572
	11,428
NAIT COMPAQ Centre for Information and Communications Technology	
Alberta Infrastructure and Alberta Learning	14,041
Cash generated from future operations	5,946
Fundraising and donations	8,000
	27,987
Centre for Applied Health Science (NAIT's share of a proposed joint project with the Capital Health Authority)	
Government of Alberta	29,000
Total planned expenditures	$ 85,385

Note 23 Funds Held on Behalf of Others

The Institute holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. Trust funds under administration were as follows:

	2001	2000
	(in thousands)	
Government of Alberta Apprenticeship Initiative	$ 1,801	$ 2,885
Government of Alberta Diagnostic Imaging Projects	746	-
Government of Alberta Individual Learning Modules	61	-
Government of Alberta Curriculum Redevelopment	43	43
NAIT Student's Association	239	63
	$ 2,890	$ 2,991

Note 24 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by statute (the Technical Institute's Act) or by combination of orders by the Lieutenant Governor-in-Council and the Minister of Learning.

The Institute received $91,331 in 2001 (2000: $79,865) of grants from the Province of Alberta. These amounts have been recognized as revenue in the consolidated statement of operations or included as unearned revenue, deferred contributions, deferred contributions for capital purposes or unamortized deferred capital contributions on the consolidated statement of financial position.

In 2001, the Institute provided courses to provincial government departments and participated in the development, sale and offering of certain courses with other public colleges and the Southern Alberta Institute of Technology. The revenues and expenses incurred for these have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 25 Budget

The Institute's Board of Governors approved the following consolidated operating budget reflecting a $5,256 excess of revenue over expense at the April 3, 2000 Board meeting. At that meeting, the Board also approved capital expenditures of $6,741.

Revenue:	
Grants	$ 74,447
Earned revenue programs	19,476
Tuition fees	19,062
Ancillary services	13,793
Amortization of deferred capital contributions	6,015
Investment earnings	2,333
Sales, rentals and services	2,150
Fundraising and donations	1,000
	138,276 ✓
Expense:	
Salary & benefits	89,594
Supplies & services	31,366
Amortization of capital assets	7,500
Utilities	3,854
Facilities rentals	706
	133,020 ✓
Excess of revenue over expense	5,256 ✓
Adjust for non-cash items	
Amortization of capital assets	7,500
Amortization of deferred capital contributions	(6,015)
Cash available for capital budget and appropriation	6,741
Contribution to the annual capital budget	(3,920)
Appropriation for campus expansion	(2,821)
Balanced budget	$ -

Note 26 Comparative Figures

Certain June 30, 2000 figures have been reclassified to conform to the current year presentation.

Note 27 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE

OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Consolidated Statement of Supplementary Performance Information

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 2001 and the consolidated statement of operations, the consolidated statement of changes in net assets, and the consolidated statement of cash flows for the year then ended. I have also audited the consolidated statement of supplementary performance information for the year ended June 30, 2001. These consolidated statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

In my opinion, the consolidated statement of supplementary performance information presents fairly, in all material respects, the Institute's performance in accordance with the disclosed basis of measurement and presentation as described in the notes to the statements.

Original signed by
Peter Valentine FCA
Auditor General

Edmonton, Alberta
September 21, 2001

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001
(in thousands)

	2001	2000 (Restated – Note 3)
ASSETS		
Current		
Cash and short-term investments (Note 4)	$ 12,776	$ 12,080
Accounts receivable	9,955	10,244
Inventories (Note 6)	1,135	1,465
Prepaid expenses	586	321
	24,452	24,110
Long term receivable (Note 5)	759	1,035
Investments (Note 4)	39,862	92,915
Capital assets (Note 7)	192,463	126,859
	$ 257,536	$ 244,919
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,899	$ 11,226
Accrued vacation pay	7,918	6,521
Unearned revenue (Note 8)	6,295	6,257
Deferred salary plans	327	221
Deferred contributions (Note 10)	9,015	5,240
Current portion of capital leases (Note 12)	78	80
Current portion of long term debt (Note 13)	2,889	365
	40,421	29,910
Construction payables	8,878	9,750
Deferred capital contributions (Note 11)	6,700	7,743
Obligations under capital leases (Note 12)	235	313
Long term debt (Note 13)	63,246	66,135
Unamortized deferred contributions related to capital assets (Note 14)	65,192	55,924
	184,672	169,775
Net assets:		
Unrestricted net assets	2,121	-
Internally restricted (Note 15)	-	7,771
Invested in capital assets (Note 16)	63,146	60,792
	65,267	68,563
Endowments (Note 17)	7,597	6,581
	72,864	75,144
	$ 257,536	$ 244,919

Commitments and contingencies (Note 28)

Approved by the Board of Governors:

Russ Wells, Chair of the Board

Jill Gardiner, Chair of the Audit & Financial Governance Committee

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

(in thousands)

	2001		2000
	Budget (Note 19)	Actual	Actual (Restated – Note 3)
Revenue:			
Grants	$ 66,151	$ 69,765	$ 60,724
Earned revenue programs	30,451	30,634	25,957
Tuition and related fees	19,867	19,292	18,083
Commercial services	11,510	12,817	11,455
Sales, rentals and services	4,306	5,272	5,749
Investment income (Note 4)	2,500	306	3,189
Donations, contributions and income on restricted contributions (Note 27)	800	4,251	1,205
	135,585	142,337	126,362
Amortization of deferred contributions related to capital assets (Note 14)	5,100	6,415	5,902
	140,685	148,752	132,264
Expense:			
Salaries, wages and benefits (Note 20)	89,175	91,807	83,928
Supplies and services (Note 27)	26,523	28,870	23,950
Utilities	4,323	9,020	3,791
Repairs and maintenance	6,071	5,980	6,514
Amortization of capital assets	13,000	14,297	13,830
Scholarships and projects	800	1,539	1,205
Loss on disposal of capital assets	-	420	7
	139,892	151,933	133,225
Excess (deficiency) of revenue over expense	$ 793	$ (3,181)	$ (961)

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2001

(in thousands)

	2001						2000
	Unrestricted	Internally Restricted	Investment in Capital Assets	Sub-Total	Endowments	Total	Total (Restated - Note 3)
Deficiency of revenue over expense	$ (3,181)	-	-	$ (3,181)	-	$ (3,181)	$ (961)
Transfers for:							
Acquisition of capital assets	(3,359)	(7,771)	11,130				-
Repayment of obligation under capital lease	(80)		80	-	-	-	-
Amortization of capital assets	7,882		(7,882)	-	-	-	-
Disposition of capital assets	974		(974)				-
Transfers to endowments	(115)	-	-	(115)	115	-	-
Endowment contributions	-	-	-	-	901	901	225
Increase (decrease) in net assets	2,121	(7,771)	2,354	(3,296)	1,016	(2,280)	(736)
Net assets, beginning of year	-	7,771	60,792	68,563	6,581	75,144	75,880
Net assets, end of year	2,121	$ -	$ 63,146	$ 65,267	$ 7,597	$ 72,864	$ 75,144

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001
(in thousands)

	2001	2000 (Restated –Note 3)
Operating Activities:		
Deficiency of revenue over expense	$ (3,181)	$ (961)
Non-cash transactions:		
Amortization of capital assets	14,297	13,830
Amortized deferred contributions related to capital assets (Note 14)	(6,415)	(5,902)
Loss on disposal of capital assets	420	7
	5,121	6,974
Changes in non-cash working capital (Note 25)	8,343	1,948
Cash generated from operating activities	13,464	8,922
Investing Activities:		
Decrease (increase) in long term receivable	276	(1,035)
Acquisition of capital assets	(80,875)	(45,941)
Redemption (purchase) of investments, net	53,053	(45,586)
Proceeds from disposal of capital assets	554	1,114
Cash used in investing activities	(26,992)	(91,448)
Financing activities:		
Payments on capital leases	(80)	(331)
Proceeds from long term debt	-	66,500
Repayment of long term debt	(365)	-
Endowment contributions	901	225
Contributed equipment (Note 14)	825	3,212
Capital contributions (Note 11)	13,815	10,490
Construction payables	(872)	9,750
Cash generated from financing activities	14,224	89,846
Increase in cash and short-term investments	696	7,320
Cash and short-term investments, beginning of year	12,080	4,760
Cash and short term investments, end of year	$ 12,776	$ 12,080

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF
SUPPLEMENTARY PERFORMANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000 (Restated – Note 3)
Full-load equivalent students	10,722	10,697
Net cost per full-load equivalent student (Note 21)	$ 12,387	$ 10,890
Student hours (contact or equivalent)	9,078,494	8,972,465
Net cost per student hour (Note 22)	$ 15	$ 13
Students surveyed during the fiscal year who completed a Certificate, Applied Degree or Diploma program during the year ended June 30, 2000 (1999 for comparative figures) (Note 23):		
Annualized salary median for those with full-time Employment	$ 30,000	$ 27,600
Employment rate:		
Full-time	73%	75%
Contract, part-time or temporary	24%	21%
Overall	97%	97%

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Note 1 Authority

The Southern Alberta Institute of Technology operates under the authority of the Technical Institutes Act, Chapter T-3.1, Statutes of Alberta 1981, as amended. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the Income Tax Act. The Institute was established as a board governed institution on April 1, 1982.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include supplementary performance information in accordance with the following guidelines:

(i) Supplementary performance information should be understandable, relevant, reliable and comparable. Supplementary performance information should be limited to those few key performance measures which influence decisions.

(ii) Supplementary performance information should include measurable information on the Institute's outputs.

(iii) Supplementary performance information should support efforts to evaluate cost effectiveness. Information on the costs of the Institute's outputs should be linked with information on the results these outputs achieve.

(b) Consolidated Statements

These consolidated financial statements include the accounts of The Learning Management Corporation, a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta and the Institute's proportionate interest in a joint venture with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology.

(c) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue, either in the period received, or, where a portion of the grant relates to a future period, the portion is deferred and recognized in the subsequent period.

Capital grants, including grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred contributions related to capital assets. Unamortized deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Significant Accounting Policies (continued)

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees, and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(d) Investments

Investments are recorded at cost. Gains and losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

(e) Capital Assets

As determined by an independent appraisal as at April 1982, land is recorded at fair market value and buildings are recorded at amortized replacement cost. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair market value at the time of receipt of the donation.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Renovations	25 years
Furnishings, equipment and library	10 years
Vehicles	5 years
Computer hardware and software	3 years
Leasehold improvement	Length of Lease

Construction in progress includes the direct construction costs and overhead costs directly attributable to the construction including engineering and legal fees and interest on specific debt attributed to the construction of capital assets. Capitalization of interest is discontinued when the asset is ready for use.

(f) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method of costing. Materials, supplies and foodstores inventory is maintained using average costing. All inventory is valued at the lower of cost or net realizable value.

(g) Employee Future Benefits

The Institute participates in the Management Employee Pension Plan and the Local Authorities Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

The Institute also provides employee future benefits in the form of compensated absences. Costs for these benefits are estimated using reasonable assumptions and are included in these financial statements.

(h) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of these instruments.

Note 3 Change in Accounting Policy

The Institute has changed its method of accounting for its participation in multi-employer defined benefit pension plans and other employee future benefits. The Institute now records pension expense equivalent to its annual contributions payable during the year. The Institute's portion of the pension plans' deficit or surplus is no longer recorded. In addition, the Institute now records an expense related to other non-pension employee future benefits (Note 9). This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of the change in accounting policy, the Institute's financial statements for the year ended June 30, 2000 have been restated as follows:

	Previously Stated	Adjustment (in thousands)	Restated
Net assets at beginning of year	$ 74,896	$ 984	$ 75,880
Net assets at end of year	$ 75,214	$ (70)	$ 75,144
Excess (deficiency) of revenues over expenses	$ 93	$ (1,054)	$ (961)

Note 4 Cash and Investments

	2001					2000	
	Cash	Short Term Investment	Long Term Investment	Total Cost	Market	Total Cost	Market
			(in thousands)			(in thousands)	
Cash	3,770	13	-	3,783	3,783	$ 3,479	$ 3,479
Money market investments	-	8,989	22,002	30,991	31,071	60,622	60,669
Bonds	-	-	10,685	10,685	10,427	33,398	33,109
Equities	-	-	7,151	7,151	6,767	7,460	6,493
Cash held by investment manager	-	4	24	28	28	36	36
Total	3,770	9,006	39,862	52,638	52,076	104,995	103,786

The Institute's investments are divided into two portfolios. The first portfolio encompasses operating funds designated for expenditures within five years and deferred salary plans. The objective is to provide a secure and consistent income flow at or above the rate of inflation. These funds must remain liquid. It is restricted as follows:

a) fixed income investments only,
b) quality constraint of BBB minimum (as per the Dominion Bond Rating Service) and no money market below RI low
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The second portfolio is designated for long term working capital and restricted funds. The primary objectives are the preservation of capital and achieving a rate of growth in excess of inflation. This second portfolio is restricted to:

a) no more than 25% of the equity portion in small cap securities (less than $650 million market cap)
b) no fixed income investments below BBB and no money market below R1 low.
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The overall rate of return for the year was 5.52% (2000 - 3.27%). The effective yield on the money market and bond investments is 4.65% and 4.90%, respectively (2000 - 5.73% and 6.08%). Money market investments mature within 90 days while bond investments have a maturity date of no greater than 2 years. Market value of these investments approximates fair value.

The carrying value of the Institute's equity investments is in excess of fair market value at June 30, 2001. These investments have not been reduced to their fair market value as, based on management's best judgment, the decline in fair market value is deemed to be temporary in nature. The Institute's investment in bonds has not been reduced to fair market value as management's intention is to hold these investments to maturity.

Investment income earned on the above investments has been recorded as follows:

	2001	2000
	(in thousands)	
Investment income	$ 306	$ 3,189
Interest earned on loan advance (Note 13)	2,489	2,008
Deferred contributions	790	595
Capitalized to endowments	115	199
Total investment income earned	$ 3,700	$ 5,991

Note 5 Long Term Receivable

On September 1, 1999, the Institute's wholly owned subsidiary, The Learning Management Corporation, entered into a purchase and sale agreement for the disposition of certain assets. Proceeds on the sale are to be received in seven equal annual installments starting June 30, 2000 and are non-interest bearing.

Note 6 Inventories

Inventories are summarized as follows:

	2001	2000
	(in thousands)	
Bookstore	$ 886	$ 1,175
Material and supplies	157	193
Foodstores	92	97
	$ 1,135	$ 1,465

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value:

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land and improvements	$ 23,792	$ -	$ 23,792	$ 23,792
Buildings and renovations	170,242	114,546	55,696	54,997
Furnishings, equipment, and library	46,733	35,316	11,417	10,945
Vehicles	1,138	849	289	153
Computer hardware and software	40,684	31,125	9,559	10,354
Leasehold Improvements	47	47	-	-
TLM Licence	1,122	448	674	898
Construction in progress	91,036	-	91,036	25,720
	$ 374,794	$ 182,331	$ 192,463	$ 126,859

(b) Capital Acquisitions

Capital acquisitions during the year included donations in kind in the amount of $825,374 (2000 - $3,212,048).

The Institute capitalized $2,085,597 (2000 - $767,449) of interest for buildings under construction (Note 13).

(c) Capital Leases

At June 30, 2001, the Institute had assets under capital lease with a cost of $590,685 (2000 - $590,685) and accumulated amortization of $191,902 (2000 - $132,834).

Note 8 Unearned Revenue

Unearned revenue is summarized as follows:

	2001	2000
	(in thousands)	
Earned revenue programs	$ 4,165	$ 3,238
Tuition, application fees and prepayments	1,972	3,011
Ancillary services and other	158	8
	$ 6,295	$ 6,257

Note 9 Employee Future Benefits

The Institute provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 15% of their gross monthly earnings for a contributory period of four years. For the fifth year, employees receive 85% of their gross salary as of the last day of their contributory period. The Institute funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid in the fifth year. The Institute's liability under this plan included in these financial statements is $113,156 (2000 - $69,936) and has been discounted at a rate of 5%.

The pension expense recorded in these financial statements is equivalent to the Institute's actuarially determined contributions of $3,046,579 for the year ended June 30, 2001 (2000 - $2,619,218).

Note 10 Deferred Contributions

	2001	2000
	(in thousands)	
Increase during the year:		
Donations and other grants	$ 4,987	$ 3,146
Access funding	9,695	4,114
Infrastructure renewal funding	1,021	60
Restricted income	790	595
	16,493	7,915
Transfers:		
To deferred capital contributions (Note 11)	(5,328)	(2,197)
To grant revenue	(5,433)	(2,187)
To endowments	(256)	-
To donations, contributions and income on restricted contributions	(1,701)	(1,205)
	(12,718)	(5,589)
Balance, beginning of year	5,240	2,914
Balance, end of year	$ 9,015	$ 5,240

The balance of deferred contributions is comprised of:

	2001	2000
	(in thousands)	
Scholarships	$ 923	$ 1,094
Program delivery	6,691	3,008
Other	1,401	1,138
	$ 9,015	$ 5,240

Note 11 Deferred Capital Contributions

	2001	2000
	(in thousands)	
Increase during the year:		
Learning Enhancement Envelope (LEE) funding	$ -	$ 302
Infrastructure renewal funding	2,040	7,991
Other grants	6,447	-
Transfer from deferred contributions (Note 10)	5,328	2,197
	13,815	10,490
Transfers to unamortized deferred contributions related to capital Assets:		
Infrastructure renewal funding	(4,850)	(9,919)
Restricted capital funds	(1,801)	(628)
LEE funding	-	(790)
Knowledge network funding	-	(23)
Access funding	(1,760)	(664)
Other grants	(6,447)	-
	(14,858)	(12,024)
Balance, beginning of year	7,743	9,277
Balance, end of year	$ 6,700	$ 7,743

The balance of deferred capital contributions is comprised of donations, contributions and income on restricted contributions for construction, renovations and equipment.

Note 12 Capital Leases

The following is a schedule of future minimum annual lease payments:

	(in thousands)
2002	97
2003	89
2004	89
2005	89
2006	-
Total minimum lease payments	364
Less amount representing interest	(51)
Capital lease obligations	313
Less current portion	(78)
	235

The implicit interest rate payable on these leases is 6.5%. Interest of $25,558 has been charged to expense during the year.

Note 13 Long Term Debt

	Amount Outstanding (in thousands) 2001	2000
Construction loan (a)	$ 45,000	$ 45,000
Construction financing for new student residence (b)	21,135	21,500
	$ 66,135	$ 66,500
Less: Current portion	(2,889)	(365)
	$ 63,246	$ 66,135

Principal payments during the next five fiscal years are as follows:

	(in thousands)
2001/02	$ 2,889
2002/03	3,414
2003/04	3,441
2004/05	3,470
2005/06	3,500

(a) Pursuant to a loan agreement entered into with a chartered bank on August 17, 1999, the Institute borrowed the sum of $45 million as a construction loan for a new building and renovations. The loan is secured by a charge on the land on which the capital expansion is to occur, bears interest at 7.08%, matures September 28, 2013 and has a 17 year amortization. At maturity, the outstanding principal may be settled or refinanced at prevailing rates. The agreement requires that the Institute maintain cash and investments net of restricted reserves of $14 million for the term of the loan. Accordingly, the effective rate on net borrowings of $31 million is 7.57% per annum.

(b) Pursuant to a loan agreement entered into on June 16, 2000, the Institute borrowed the sum of $21.5 million to finance the construction of a new student residence. The loan bears interest at 6.5% per annum and matures June 16, 2025. Security pledged for the loan includes all future cashflows generated through the operation of the new student residence.

Net interest expense of $2,085,597 (2000 - $767,449) was capitalized during the year as follows:

Interest on long term debt	$ 4,574,771
Less: Interest earned on loan advance (Note 4)	(2,489,174)
	$ 2,085,597

Note 14 Unamortized Deferred Contributions Related to Capital Assets

Changes in unamortized deferred contributions related to capital assets are as follows:

	2001	2000
	(in thousands)	
Transferred from deferred capital contributions to acquire capital assets (Note 11)	$ 14,858	$ 12,024
Contributed equipment	825	3,212
Transferred to revenue	(6,415)	(5,902)
Increase (decrease) during the year	9,268	9,334
Unamortized deferred contributions related to capital assets, beginning of year	55,924	46,590
Unamortized deferred contributions related to capital assets, end of year	$ 65,192	$ 55,924

Note 15 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the Institute's Board of Governors to be used for designated purposes. These amounts are not available for other purposes without the approval of the Board. At June 30, 2000, the Board had appropriated $7,771,000 for the Institute's expansion plans. During 2001, this amount was fully utilized.

Note 16 Net Assets Invested in Capital Assets

	2001	2000
	(in thousands)	
Capital assets	$ 192,463	$ 126,859
Obligation under capital leases (Note 12)	(313)	(393)
Financed by long term debt	(63,812)	(9,750)
Unamortized deferred contributions related to capital assets (Note 14)	(65,192)	(55,924)
	$ 63,146	$ 60,792

Note 17 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Endowments on a cumulative basis:

	2001	2000
	(in thousands)	
Externally restricted	$ 6,936	$ 6,319
Internal allocations	661	262
	$ 7,597	$ 6,581

Note 18 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the Institute and the Province are disclosed in the Consolidated Statement of Operations and as follows:

	2001		2000	
	Revenue	Deferred Contributions And UDCC*	Revenue	Deferred Contributions And UDCC*
	(in thousands)			
Alberta Learning:				
Operating grant	$ 58,202	$ -	$ 56,665	$ -
Performance funding	2,791	-	1,353	-
Learning enhancement envelope	-	-	447	302
Access	3,915	7,359	1,892	2,222
Infrastructure renewal	1,021	2,040	60	7,991
Miscellaneous grants	3,726	6,000	76	-
	69,655	15,399	60,493	10,515
Transfer from deferred contributions	110	(110)	231	(231)
	69,765	15,289	60,724	10,284
Earned revenue programs	281	-	179	-
Other provincial departments and agencies	-	-	4	1,246
	$ 70,046	$ 15,289	$ 60,907	$ 11,530

* Unamortized Deferred Contributions Related to Capital Assets

At June 30, 2001, the accounts receivable balance included an amount of $218,473 due from Alberta Learning.

During 2000 and 2001, the Institute had business transactions with corporations for which certain Board members of the Institute served as senior management. These transactions were at market prices on normal terms of purchase and sale.

In 2000 and 2001, the Institute participated in offering certain courses with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified.

In addition, the Institute provides systems support to some other public colleges. The revenues and expenses incurred for these services have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

Note 19 Budget

On March 28, 2000, the Board of Governors approved the revenue and expense budget for the year ended June 30, 2001.

Note 20 Salary Disclosure

	2001 (in 000's)			2000
	Salary(1)	Benefits(2)	Total	Total
Executives:				
President(3)	165	12	177	160
Vice-President, Academic(3) (5)	120	12	132	145
Vice-President, Administration(3)	144	13	157	147
Vice-President, External Relations(3)	137	18	155	109
Associate Vice-President, External Relations(6)	26	2	28	-
Board of Governors – honoraria				
Chairman(4)	-	-	-	-
Members(4)	8	-	8	8

(1) Salary includes regular base pay and performance payments.

(2) Benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships, dues and professional development expenses.

(3) Automobile provided, but no dollar amount included in the benefits figure.

(4) Some members do not accept honoraria.

(5) Two individuals held this position during the year. The former individual left the position February 12, 2001.

(6) This is a newly created position and the individual began employment with the Institute on April 17, 2001.

Note 21 Full-load Equivalent Students

	Degree Certificate And Diploma Program	Apprenticeship Training Programs	Earned Revenue Programs	2001 Institute Totals	2000 Institute Totals (Restated – Note 3)
Costs per financial statements				$ 151,933,000	$133,225,000
Costs of non-academic Institute programs (Note 24)				(18,096,000)	(15,433,000)
Program costs(1)	$ 71,381,000	$ 17,110,000	$ 45,346,000	$ 133,837,000	117,792,000
Cost recoveries and miscellaneous Sales and other revenue(2)	(571,000)	(188,000)	(265,000)	(1,024,000)	(1,302,000)
Net program costs	70,810,000	16,922,000	45,081,000	132,813,000	$116,490,000
Full-load equivalent students (FLE)	6,248	1,250	3,224	10,722	10,697
Net cost per FLE student	$ 11,333	$ 13,538	$ 13,983	$ 12,387	$ 10,890

(1) Academic department administration costs are allocated based on direct cost proportions for each program type. Institute overhead costs are allocated based on the number of on campus class and laboratory hours for each program type.

(2) Consulting fees, student training product sales and other miscellaneous sales and fees for services generated gross revenues of $1,024,000. This revenue is netted against program costs on the same basis as associated direct and overhead costs.

As defined by the Ministry of Learning, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short or long program is based on a 32 week program of study. Apprenticeship Training Programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Programs are designed by the Institute - curriculum, program length and delivery mode.

The number of FLE students enrolled in credit courses during the year is calculated by:

(i) accumulating the student hours (contact or equivalent) of a student through an academic year,

(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and

(iii) aggregating the numbers for all students.

In addition, non-credit course registrations are converted into FLE's in the same manner as credit courses.

Note 22 Student Hours (Contact or Equivalent)

	Degree, Certificate And Diploma Programs	Apprenticeship Training Programs	Earned Revenue Programs	2001 Institute Totals	2000 Institute Totals (Restated – Note 3)
Net program costs (Note 21)	$ 70,810,000	$ 16,922,000	$ 45,081,000	$ 132,813,000	$116,490,000
Student hours (contact or equivalent)	5,217,621	1,114,694	2,746,179	9,078,494	8,972,465
Net cost per student hour (contact or equivalent)	$ 14	$ 15	$ 16	$ 15	$ 13
FLE students (Note 21)	6,248	1,250	3,224	10,722	10,697
Average hours per FLE	835	892	852	847	839

Student hours (contact or equivalent) represent the number of classroom (including hours derived from courses taught by alternate delivery methods i.e. correspondence, teleconference and computer managed learning), laboratory, or practicum hours assigned to each course multiplied by the number of students enrolled in each course.

Note 23 Employment Within One Year of Completion

	Surveyed...		Of Those Responding.....		Of Those Looking for Employment.....			
Employment Results for Students Who Completed a Certificate, Applied Degree or Diploma Program in 2000	Number of Students Who Completed a Program	Number of Survey Respondents	Number Not Seeking Employment	Number Seeking Employment	Full-time, Permanent Employment	Full-time Employment Annualized Salary Median	Contract, Part-time or Temporary Employment	Overall Employment Rate
Business and Tourism	763	683	91	592	408	$24,000	171	98%
Construction	220	210	9	201	175	$30,000	24	99%
Energy	370	340	25	315	251	$40,000	53	97%
Health and Public Safety	222	212	10	202	135	$32,000	66	99%
Information and Communications Technologies	562	518	38	480	319	$33,800	138	95%
Manufacturing and Automation	77	73	6	67	52	$30,000	13	97%
Transportation	131	121	5	116	100	$29,500	13	97%
2001 Totals	2,345	2,157 92%	184 9%	1,973 91%	1,440 73%	$30,000	478 24%	97%
2000 Totals	2,040	1,841 90%	243 13%	1,598 87%	1,206 75%	$27,600	337 21%	97%

(Percentage totals may not add in this table because of rounding)

Note 23 Employment Within One Year of Completion (continued)

The employment survey does not include students who have completed the Certificate/Diploma Academic Upgrading Program, Apprenticeship Training Programs, EMT-A (Emergency Medical Technician – Ambulance), EMR (Emergency Medical Responder) or Earned Revenue Programs.

Employment information was collected from students (or their proxy) who had completed a program of study during the 1999-2000 academic year. In the current year, students recorded as graduates as of February 14, 2000 were surveyed.

Surveys were conducted by telephone between January 2001 and March 2001. In the prior year, the surveys were conducted by telephone between December 1999 and March 2000.

Employment is full-time if the student who completed a program indicated that their job was full-time at the time of the survey.

Contract, part-time, or temporary employment includes students who completed a program and were employed in a contract, part-time, or temporary position at the time of the survey, or had been for at least three months in such a position prior to the survey date, but were not employed at the date of the survey.

Note 24 Non-academic Institute Programs

	Revenue	Operating Expense	Gross Margin (in thousands)	Allocated Overhead	Amortization of Capital Assets	2001 Net Profit (Loss)	2000 Net Profit (Loss)
Recreation and athletic programs	$ 1,143	$ 1,592	$ (449)	$ 622	$ 447	$ (1,518)	$ (1,225)
Commercial services[1]	12,817	10,654	2,163	2,014	522	(373)	271
Scholarship and projects	1,539	1,539	-	-	-	-	-
The Learning Management Corporation	317	478	(161)	-	228	(389)	(334)
Total	$ 15,816	$ 14,263	$ 1,553	$ 2,636	$ 1,197	$ (2,280)	$ (1,288)

[1] These non-academic activities are intended to generate revenue to offset associated costs or make a profit.

Note 25 Changes in Non-cash Working Capital

	2001	2000
	(in thousands)	
Accounts receivable	$ 289	$ (4,041)
Inventories	330	(57)
Prepaid expenses	(265)	(215)
Accounts payable and accrued liabilities	2,673	2,916
Unearned revenue	38	797
Deferred salary plans	106	72
Deferred contributions	3,775	2,326
Accrued vacation pay	1,397	150
	$ 8,343	$ 1,948

Note 26 Interest in Joint Venture

Effective July 1, 2000, the Institute entered into a joint venture agreement with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology. The joint venture is involved in the production and marketing of a Power Engineering multimedia learning product. The results of the joint venture are proportionately consolidated in the financial statements as follows and represent the Institute's 66.5% interest in the joint venture:

Statement of financial position:

Assets:	
Cash	$ 155
Inventories	33
	$ 188
Current Liabilities:	
Accounts payable	$ 33
Net Assets:	
Unrestricted net assets	155
	$ 188

Statement of operations:

Revenue:	
Sales, Rentals, Services	$ 593
Expenses:	
Salaries and Benefits	241
Supply and Services	197
Excess of revenue over expense	$ 155

Statement of cash flow:

Cash provided from operating activities:	
Excess of revenue over expense	$ 155
Changes in non-cash working capital accounts	-
Net increase in cash	$ 155

Note 27 Contributed Materials and Services

During the year, the Institute received donated software to be used in the delivery of certain programs. The software modules used by the Institute in the current year have been included in these financial statements at their estimated fair market value of $2,550,000.

Note 28 Commitments and Contingencies

As at June 30, 2001 the Institute has commitments totaling $8,826,997.

Note 29 Comparative Figures

Certain June 30, 2000 figures have been reclassified to conform to the current year presentation.

ATHABASCA UNIVERSITY

Financial Statements

For the year ended March 31, 2002

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Athabasca University Governing Council

I have audited the statement of financial position of the Athabasca University as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
May 16, 2002

ATHABASCA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2002
(thousands of dollars)

	2002	2001 (Restated Note 18)
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 9,889	$ 9,456
Accounts receivable (Note 5)	2,869	2,444
Inventory of course materials	3,084	3,002
Prepaid expenses	357	454
	16,199	15,356
Non-current investments (Note 3)	6,212	6,852
Deferred course development costs (Note 6)	525	666
Capital assets (Note 7)	23,024	21,473
	$ 45,960	$ 44,347
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 1,834	$ 1,693
Salaries and benefits payable	4,455	3,755
Deferred revenue (Note 8)	7,682	6,995
Deferred contributions (Note 9)	957	1,639
Due to Joint Venture (Note 4)	398	-
Current portion of obligation under capital lease (Note 10)	47	429
	15,373	14,511
Obligation under capital lease (Note 10)	153	200
Unamortized deferred capital and deferred course development contributions (Note 11)	13,878	13,038
Deferred capital contributions (Note 12)	1,261	-
	30,665	27,749
Net assets		
Investment in capital assets (Note 7)	9,471	8,472
Endowments (Note 13)	1,089	1,089
Internally restricted (Note 14)	4,735	5,763
Unrestricted	-	1,274
	15,295	16,598
	$ 45,960	$ 44,347

Approved on behalf of the Governing Council

Mr. Robert Fulton, Q.C.
Chairman

Dr. Dominique Abrioux
President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2002

(thousands of dollars)

	2002	2001 (Restated Note 18)
Revenue		
Province of Alberta grants (Note 17)	$ 19,335	$ 16,863
Undergraduate student fees	17,303	14,689
Graduate student fees	9,272	7,744
Sales of goods and services	5,296	4,352
Amortization of deferred capital and deferred course development contributions (Note 11)	1,339	1,337
Interest (Notes 3 and 13)	730	851
Donations	36	600
Other	329	140
	53,640	46,576
Expenses		
Salaries and benefits (Note 21)	33,101	28,444
Fees and purchased services	8,252	6,670
Materials and supplies	4,891	4,573
Communications and travel	4,230	3,398
Amortization of capital assets and deferred course development costs	3,289	3,031
Insurance, utilities and taxes	463	280
Facilities rental	767	662
Scholarships	125	125
	55,118	47,183
Excess of expenses over revenue	$ (1,478)	$ (607)

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2002

(thousands of dollars)

	2002					2001
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 8,472	$ 1,089	$ 5,763	$ 1,274	$ 16,598	$ 17,205
Excess of expenses over revenue	-	-	-	(1,478)	(1,478)	(607)
Investment in capital assets	2,345	-	-	(2,345)	-	-
Repayment of obligations under capital lease	429	-	-	(429)	-	-
Capital contribution for land	175	-	-	-	175	-
Less amortization of internally funded assets	(1,950)	-	-	1,950	-	-
Interfund transfers	-	-	(1,028)	1,028	-	-
Balance, end of year	$ 9,471	$ 1,089	$ 4,735	$ -	$ 15,295	$ 16,598

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2002

(thousands of dollars)

	2002	2001 (Restated Note 18)
Cash provided from (used in) operating activities:		
Excess of expenses over revenue	$ (1,478)	$ (607)
Items not affecting cash flow:		
Amortization of capital assets and deferred course development costs	3,289	3,031
Amortization of deferred capital and deferred course development contributions	(1,339)	(1,337)
	472	1,087
Change in non-cash working capital		
Change in accounts receivable, inventory of course materials and prepaid expenses	(410)	208
Change in current liabilities, except current portion of obligation under capital lease	1,244	2,970
	834	3,178
	1,306	4,265
Cash provided from (used in) investing and financing activities:		
Decrease (increase) in non-current investments	640	(235)
Capital asset acquisitions, net	(4,587)	(4,555)
Deferred course development contributions (Note 11)	(112)	-
Deferred capital contributions (Note 12)	3,440	585
Capital lease financing	-	1,210
Capital lease payments	(429)	(581)
Capital contribution for land	175	-
	(873)	(3,576)
Increase in cash and short-term investments	433	689
Cash and short-term investments, beginning of year	9,456	8,767
Cash and short-term investments, end of year	$ 9,889	$ 9,456

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002
(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta 2000. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Government operating grants are recognized as revenue in the period received, or, where the grants relate to a future period, they are deferred and recognized in the subsequent period. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over the duration of the courses. Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are recognized as direct increases in net assets in the period in which they are expended.

(b) Investments

Current investments are valued at the lower of amortized cost and market value. Non current investments are recorded at cost. The investment in a joint venture is accounted for using the equity method.

(c) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(d) Copyrights

It is the policy of the University to obtain a copyright on all course material produced. These copyrights are recorded at a nominal value of $1 and included in prepaid expenses.

(e) Deferred Course Development Costs

Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years.

(f) Capital Assets

Capital assets acquisitions are recorded at cost, except for donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and site improvements	40
Furnishings, equipment and software	3 – 10
Library materials	10

Works of art assets purchased by the University are recorded at cost. Donated works of art assets are recorded at fair values.

(g) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficit or surplus.

The University has other defined benefit plans. The cost of benefits earned by employees in these plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

Note 3 Investments

Non-current investments represent funds related to endowments and amounts internally restricted by the Governing Council and consist, together with cash and short-term investments, of the following.

	2002				2001	
	Cash and Short-term Investments	Non-current Investments	Total		Total	
			Cost	Market(1)	Cost	Market
Bank balances	$ 4,543	$ 13	$ 4,556	$ 4,556	$ 5,382	$ 5,382
Money market investments(2)	5,346	5,047	10,393	10,393	9,765	9,765
Bonds(3)	-	1,016	1,016	1,057	1,025	1,068
Other investments(4)	-	136	136	136	136	136
Total 2002	$ 9,889	$ 6,212	$ 16,101	$ 16,142	$ 16,308	$ 16,351
Total 2001	$ 9,456	$ 6,852	$ 16,308	$ 16,351		

(1) Market value approximates fair value of investments, except for other investments, where cost is assumed to be fair value.

(2) Money market investments are purchased at a discount by the University and must be rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2002, the investments held have an average effective yield of 2.14% and will mature within 60 days.

(3) Non-current investments include bonds that mature December, 2003 with a stated interest rate of 7.75% and an effective yield of 6.80%.

(4) Other Investments, recorded at cost, include shares of two private companies. As there is no defined market for these shares, cost is assumed to approximate fair value.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counseling Program.

The University's equity in the earnings of the joint venture at March 31, 2002 is $80, which is one-third of the net of total revenues of $498 less total expenses of $256 for the period from commencement of operations on April 1, 2001 to March 31, 2002.

At March 31, 2002 the University's share of the joint venture's assets, liabilities and equity is:

	2002
Current assets[1]	$ 209
Capital assets	8
	$ 217
Current liabilities	$ 129
Deferred capital contributions	8
Joint venture interest	80
	$ 217

(1) Included in current assets is a receivable of $159 from Athabasca University for operating funds that are being administered on behalf of the joint venture.

At March 31, 2002 the Due to Joint Venture net liability is $398, comprised of $478 operating funds belonging to the Joint Venture less $80 of the University's equity in earnings.

Note 5 Accounts Receivable

Accounts receivable includes $44 (2001 - $268) in grants due from the Province of Alberta.

Note 6 Deferred Course Development Costs

	2002	2001
Balance, beginning of year	$ 666	$ 925
Costs incurred during the year	112	-
	778	925
Less amount amortized during the year	(253)	(259)
Balance, end of year	$ 525	$ 666

Note 7 Capital Assets and Investment in Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,567	-	$ 1,567	$ 1,392
Buildings and site improvements	25,236	11,941	13,295	12,372
Furnishings, equipment and software (Note 10)	20,688	13,998	6,690	6,161
Library materials	4,846	3,994	852	928
Works of art	620	-	620	620
	$ 52,957	$ 29,933	23,024	21,473
Unamortized deferred capital contributions related to capital assets (Note 11)			(13,353)	(12,372)
Obligation under capital lease (Note 10)			(200)	(629)
Investment in capital assets			$ 9,471	$ 8,472

The University holds a collection of 486 works of art consisting of sketches, limited edition prints, photographs and some original paintings. The works of art are held by the University for public exhibition.

Note 8 Deferred Revenue

	2002	2001
Course and seminar fees received in advance	$ 7,261	$ 6,707
Unexpended project and research funds	421	288
	$ 7,682	$ 6,995

Note 9 Deferred Contributions

Deferred contributions represent unspent restricted operating funding received from the Ministry of Learning and Alberta Innovation and Science.

	2002	2001
Balance, beginning of year	$ 1,639	$ 793
Add contributions received in the year	1,537	1,290
Less amount recognized as revenue in the year	(2,219)	(444)
Balance, end of year	$ 957	$ 1,639
The balance consists of funds restricted for:		
Access	$ 730	$ 1,300
Learning Enhancement	140	193
Curriculum Redevelopment	70	91
Intellectual Infrastructure	17	55
	$ 957	$ 1,639

Note 10 Obligation Under Capital Lease

The University leases certain equipment under agreements, which are classified as capital leases. Costs and accumulated amortization of such assets totaled $1,210 and $265 respectively and are included in furnishings, equipment and software (Note 7) (2001 $1,210 and $113).

As of March 31, 2002, future minimum lease payments under the capital lease are as follows:

2003	$ 55
2004	54
2005	54
2006	54
2007	53
Total future minimum lease payments	270
Less amount representing interest at 8%	(70)
Present value of future minimum lease payments	200
Less current portion	(47)
Long term obligation under capital lease	$ 153

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2002			2001
	Related to			
	Capital Assets	Deferred Course Development	Total	Total
Balance, beginning of year	$ 12,372	$ 666	$ 13,038	$ 13,790
Contributions	2,067	112	2,179	585
	14,439	778	15,217	14,375
Amortized to revenue	(1,086)	(253)	(1,339)	(1,337)
Balance, end of year	$ 13,353	$ 525	$ 13,878	$ 13,038

Note 12 Deferred Capital Contributions

Deferred capital contributions represent unspent capital and deferred course development funding received from Alberta Infrastructure and Alberta Learning.

	2002	2001
Balance, beginning of year	$ -	$ -
Add contributions received in the year	3,440	585
Transfers to unamortized deferred capital contributions in the year	(2,067)	(585)
Less transfer to unamortized deferred course development	(112)	-
Balance, end of year	$ 1,261	$ -

The University also received $175 from Alberta Infrastructure for the purchase of land.

Note 13 Endowments

Endowments consist of externally restricted donations to the University, the principal of which is required to be maintained intact. There are no externally imposed restrictions over the use of the investment income generated from endowments and accordingly, all investment income earned is recognized as revenue in the Statement of Operations.

Note 14 Internally Restricted Net Assets

The Governing Council had designated internally restricted net assets for future operating and capital needs.

	2002			2001
	Operating	Capital	Total	Total
Balance, beginning of year	$ 3,138	$ 2,625	$ 5,763	$ 8,216
Transfers (to) unrestricted net assets	(403)	(625)	(1,028)	(2,453)
Balance, end of year	$ 2,735	$ 2,000	$ 4,735	$ 5,763

The balance consists of funds internally restricted for:

	2002			2001
	Operating	Capital	Total	Total
Building Renovations	$ -	$ 2,000	$ 2,000	$ 2,000
Future Student Awards	1,415	-	1,415	1,432
Future Benefits	869	-	869	1,257
Systems Replacement	-	-	-	625
Graduate Programs	451	-	451	449
	$ 2,735	$ 2,000	$ 4,735	$ 5,763

Note 15 Budget

The following budget amounts are part of the annual plan that was approved by the Governing Council on March 23, 2001.

	Approved 2001-2002 Budget
Revenue	
Province of Alberta grants	$ 19,691
Undergraduate student fees	15,163
Graduate student fees	11,304
Sales of goods and services	4,665
Amortization of deferred capital and deferred course development contributions	1,200
Interest	590
Other	265
	$ 52,878
Expenses	
Salaries and benefits	$ 33,101
Fees and purchased services	7,927
Materials and supplies	5,428
Communications and travel	3,936
Amortization of capital assets and deferred course development costs	2,952
Insurance, utilities and taxes	766
Facilities rental	550
	$ 54,660
Excess of expenses over revenue	$ (1,782)

The University budgeted a deficit for the year ended March 31, 2002 as a result of planned utilization of surplus funds to facilitate activities such as the replacement of two major administrative systems and to provide start up funding for new programs. The Minister of Alberta Learning approved the University's 2001-2002 deficit budget on September 10, 2001.

Note 16 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2007 for facilities and equipment with the following annual payments:

2003	$ 706
2004	$ 699
2005	$ 566
2006	$ 379
2007	$ 303

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 17 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Provincial Statute (the Universities Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized below.

	2002	2001
Operating grant	$ 16,382	$ 14,124
Infrastructure	3,387	-
Access funding	1,482	2,853
Growth	384	535
Performance	171	451
Learning enhancement envelope funding	55	-
Utility rebate	(63)	89
Other	295	242
Total contributions received	22,093	18,294
Plus decrease (increase) in deferred contributions (Note 9)	682	(846)
Less deferred capital contributions (Note 12)	(3,440)	(585)
Province of Alberta grants revenue	$ 19,335	$ 16,863

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $872 (2001 - $651).

Note 18 Restatement of Prior Year Amount

In 2001, a donation of 444 works of art was recorded at a value of $250, and is restated at its appraised value of $442. The change in the valuation has been applied retroactively by restating comparative amounts. As a result of the change, the University's financial statements for the year ended March 31, 2001 have been restated as follows:

	Reported	Revision in Estimate	As restated
Statement of Operations			
Donations	408	192	600
Excess of (expenses over revenue)	(799)	192	(607)
Statement of Financial Position			
Capital assets	21,281	192	21,473
Net assets - Investment in capital assets	8,280	192	8,472
Statement of Changes in Net Assets			
Investment in capital assets	2,568	192	2,760
Statement of Cash Flows			
Excess of (expenses over revenue)	(799)	192	(607)
Capital assets acquisitions, net	(4,363)	(192)	(4,555)

Note 19 Comparative Figures

Certain 2001 comparative figures have been reclassified to conform to 2002 presentation.

Note 20 Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan which are multi-employer plans. The expense recorded in these financial statements is equivalent to the University's annual contributions of $1,452 for the year ended March 31, 2002 (2001 - $1,182).

At December 31, 2001 the Universities Academic Pension Plan reported a deficit of $151,996 (2000 - $109,495) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084).

The University has other non-pension defined benefit plans. The net expense for these non-pension defined benefit plans is $38 (2001 - $235).

The non-pension defined benefit plans are not fully funded. The non-pension defined benefit plans' deficit equals the accrued benefit obligation of $1,266 (2001 - $1,228).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	2002	2001
Discount rate	6.5%	6.5%
Rate of compensation increase	3.5%	3.5%
Average remaining service period of active employees		
Administrative Leave Plan	7 years	6 years
Flexible Benefit Plan	14 years	15 years
Retirement age	60 years	60 years

During the year the University paid benefits from its non-pension defined benefit plans totaling $371 (2001 - $165).

Note 21 Salary and Benefits

Salary and employee benefit information is disclosed pursuant to a Treasury Board directive under the Financial Administration Act of the Province of Alberta.

	2002				2001	
	Number of Individuals(4)	Salary(1)	Benefits and Allowances(2)	Total	Number of Individuals(4)	Total
			(thousands of dollars)			
Governing Council						
Chairman of Governing Council	1	$ -	$ -	$ -	1	$ -
Governing Council members	13	-	-	-	13	-
	14	-	-	-	14	-
Executive Officers						
President	1	180	25	205	1	195
Vice-Presidents						
Academic	1	147	24	171	1	161
Finance & Administration	1	119	23	142	1	148
Student Services	1	120	24	144	1	135
Associate VP, Research (vacant for 5 months)	1	63	16	79	1	126
	5	629	112	741	5	765
Academic/Professional/Management(3)	264	14,475	3,284	17,759	227	14,570
Tutors and Academic Coaches(3)	243	4,165	314	4,479	228	3,717
Support(3)	297	8,132	1,473	9,605	267	8,765
	823	$ 27,401	$ 5,183	32,584	741	27,817
Increase (decrease) in staff benefit liabilities				46		169
Increase in administrative & flex leave accruals						
President				21		40
Vice Presidents						
Academic				32		37
Finance & Administration				10		17
Student Services				41		27
Associate Vice President, Research				5		22
Academic/Professional/Management				362		315
				$33,101		$28,444

Note 21 Salary Disclosure (continued)

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria, and any other direct cash remuneration.

(2) The employer's share of all employee benefits and contributions includes payments made on behalf of employees for vacation payouts, pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, professional memberships, tuition, supplemental unemployment benefits, research and study leaves, professional development allowances (excluding approved travel related costs) and travel insurance. The accruals of administrative leave for Executive Officers and Academic Managers, and of flexible plan benefits for Managers and Excluded Professional staff, have been included as reconciling items.

(3) All non-governance staff have been grouped into categories of Academic /Professional/Management, Tutors and Academic Coaches, and Support.

(4) The number of individuals represents a head count of staff members.

UNIVERSITY OF ALBERTA

Financial Statements

For the year ended March 31, 2002

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Revenue and Expense and Changes in Unrestricted Net Assets Deficiency
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors
of The University of Alberta

I have audited the statement of financial position of The University of Alberta as at March 31, 2002 and the statements of revenue and expense and changes in unrestricted net assets deficiency, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
May 31, 2002

STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF ALBERTA

AT MARCH 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Current Assets		
Cash and short-term investments	$ 148,450	$ 168,259
Accounts receivable and accrued interest	102,160	75,017
Other assets	10,729	10,068
	261,339	253,344
Investments (Note 3)	597,707	532,382
Capital assets and collections (Note 6)	866,770	780,407
	$ 1,725,816	$ 1,566,133
LIABILITIES AND NET ASSETS		
Current Liabilities		
Outstanding cheques	$ 15,100	$ 12,889
Accounts payable and accrued liabilities	59,753	62,988
Current portion of employee benefit liabilities (Note 7)	38,062	36,001
Current portion of long-term debt (Note 8)	4,628	1,960
Deferred contributions, research and other (Note 9)	145,817	125,561
Deferred revenue	14,556	12,053
	277,916	251,452
Employee benefit liabilities (Note 7)	48,519	47,174
Long-term debt (Note 8)	48,786	55,603
Deferred contributions, research and other (Note 9)	60,000	60,000
Deferred contributions, capital (Note 9)	12,175	1,672
Unamortized deferred capital contributions (Note 10)	544,754	475,380
	992,150	891,281
Net Assets		
Endowments (Note 11)	491,147	462,644
Investment in capital assets and collections (Note 12)	266,189	250,086
Unrestricted net assets deficiency	(23,670)	(37,878)
	733,666	674,852
	$ 1,725,816	$ 1,566,133

Signed on behalf of the Board of Governors

Chairman of the Board

Fraser

President

----------*The accompanying notes are part of these financial statements.*----------

STATEMENT OF REVENUE AND EXPENSE AND CHANGES IN UNRESTRICTED NET ASSETS DEFICIENCY

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2002

(in thousands of dollars)

	2002	2001
REVENUE		
Provincial government (Note 16)	$ 342,588	$ 309,102
Other government sources	87,923	63,829
Credit course tuition and related fees	125,761	116,245
Grants	30,826	28,968
Investment income (Note 4)	37,423	44,569
Donations (Note 5)	15,697	15,192
Royalty income	2,000	8,412
Sales of goods and services	130,915	110,507
	773,133	696,824
Amortization of deferred capital contributions (Note 10)	42,380	34,645
	815,513	731,469
EXPENSE		
Salaries	413,498	384,033
Employee benefits	69,979	62,169
Materials, supplies and services	136,433	126,137
Maintenance and utilities	45,965	46,672
Scholarships and bursaries	46,748	42,000
Interest	6,080	6,027
Amortization of capital assets	66,639	61,670
	785,342	728,708
EXCESS OF REVENUE OVER EXPENSE	30,171	2,761
TRANSFER (TO) FROM ENDOWMENTS (Note 11)	(601)	1,523
TRANSFER (TO) FROM NET INVESTMENT IN CAPITAL ASSETS (Note 12)	(15,362)	456
Change in unrestricted net assets deficiency for the year	14,208	4,740
UNRESTRICTED NET ASSETS DEFICIENCY, BEGINNING OF YEAR	(37,878)	(42,618)
UNRESTRICTED NET ASSETS DEFICIENCY, END OF YEAR	$ (23,670)	$ (37,878)

---------- *The accompanying notes are part of these financial statements.* ----------

STATEMENT OF CHANGES IN NET ASSETS

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2002
(in thousands of dollars)

	Endowments			Investment in Capital Assets and Collections	Unrestricted Net Assets Deficiency
	Externally Restricted	Internally Restricted	Total		
NET ASSETS, March 31, 2000	$ 372,385	$ 46,515	$ 418,900	$ 249,744	$ (42,618)
Excess of revenue over expense	-	-	-	-	2,761
Capitalization of investment income (Note 4)	28,961	-	28,961	-	-
Gifts of endowment principal (Note 5)	16,306	-	16,306	-	
Transfers (Note 11)	-	(1,523)	(1,523)	-	1,523
Net investment in capital assets (Note 12)	-	-	-	(456)	456
Contributions of assets not subject to amortization	-	-	-	798	-
NET ASSETS, March 31, 2001	$ 417,652	$ 44,992	$ 462,644	$ 250,086	$ (37,878)
Excess of revenue over expense	-	-	-	-	30,171
Capitalization of investment income (Note 4)	14,018	-	14,018	-	-
Gifts of endowment principal (Note 5)	13,884	-	13,884	-	-
Transfers (Note 11)	1,230	(629)	601	-	(601)
Net investment in capital assets (Note 12)	-	-	-	15,362	(15,362)
Contributions of assets not subject to amortization	-	-	-	741	-
NET ASSETS, March 31, 2002	$ 446,784	$ 44,363	$ 491,147	$ 266,189	$ (23,670)

---------- *The accompanying notes are part of these financial statements.* ----------

STATEMENT OF CASH FLOWS

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2002
(in thousands of dollars)

	2002	2001
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Cash received from provincial government	$ 349,967	$ 319,155
Cash received from other government sources	72,474	76,693
Cash received from credit course tuition and related fees	126,515	116,428
Cash received from grants and donations	45,195	52,833
Investment and royalty income received for operating purposes	41,477	54,411
Cash received from sales of goods and services	129,477	108,802
Cash paid for salaries and employee benefits	(480,188)	(441,851)
Cash paid for materials, supplies and services	(137,213)	(118,088)
Cash paid for maintenance and utilities	(45,965)	(44,792)
Cash paid for scholarships and bursaries	(46,748)	(42,000)
Interest paid	(6,257)	(4,992)
	48,734	76,599
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections		
Internally funded	(38,059)	(25,404)
Externally funded - contributions	(110,443)	(93,273)
Externally funded - long term debt	(3,249)	(15,718)
Proceeds on disposal of capital assets and collections	312	180
Purchases of investments, net	(65,325)	(18,840)
	(216,764)	(153,055)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Contributions restricted to endowments	27,902	45,267
Long-term debt - new financing	-	21,802
Long-term debt - repayments	(4,149)	(1,504)
Capital contributions	122,257	64,277
	146,010	129,842
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,020)	53,386
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	155,370	101,984
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 133,350	$ 155,370
Cash and cash equivalents consists of:		
Cash and short-term investments	$ 148,450	$ 168,259
Outstanding cheques	(15,100)	(12,889)
	$ 133,350	$ 155,370

--------- *The accompanying notes are part of these financial statements.* ----------

1. Authority and Purpose

The corporation "The Governors of the University of Alberta" operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta, 2000. The mission of the University includes post secondary and graduate education, research, and public service. The University is a registered charity, and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors of which, in administration's opinion, are within reasonable limits of materiality have been made using professional judgements and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b. Interest in Joint Ventures

These financial statements include the University's interest in joint ventures using the proportionate consolidation method. Tri-Universities Meson Facility (TRIUMF) (20% interest) is a joint venture, amongst the University and four other universities, and was established to operate a facility for research in sub-atomic physics. The Northern Alberta Clinical Research Centre (50% interest) was established on April 1, 2001 and is a joint venture between the University and the Capital Health Authority (CHA) to support the shared missions of the CHA and the University relative to collaborative clinical research.

c. Investments

Investments are recorded at cost or amortized cost where applicable. Gains or losses on sales of investments are recognized in the year of disposal or when there is other than a temporary impairment in the value of an investment.

d. Capital Assets and Collections

All capital assets and collection items are recorded at cost as acquired. Gifts in kind of capital assets and collection items are capitalized at fair market value, as determined by expert appraisal. Amortization of capital assets is recorded on a straight line basis over the assets' estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings and utilities, from 3 to 25 years for equipment and furnishings, and 10 years for that portion of library materials which are not part of the University's permanent collections.

Collections are not amortized and include that portion of library assets considered to have permanent value, museum specimens, archival materials, maps, and works of art.

e. Revenue Recognition

Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned. Pledges are recognized as revenue when collected.

Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered. Tuition fees are recognized as revenue when the related instruction is delivered.

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

2. **Significant Accounting Policies (continued)**

Endowment contributions, including realized capital gains on endowment investments and that portion of investment earnings, which, in accordance with agreements with benefactors or the authority provided by Section 17(1)(m) of the Universities Act, are allocable to endowment principal, are recognized as direct increases in net assets. Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

f. Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan.

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability leave plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

The cost of providing accumulating post employment benefits under the University's early retirement benefit plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

g. Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

h. Fair Value of Financial Instruments and Cash Equivalents

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consist of cash, short-term investments and outstanding cheques.

3. Investments

	2002		2001	
	Cost	Market Value	Cost	Market Value
Money market investments	$ 22,386	$ 22,393	$ 1,084	$ 1,169
Marketable securities				
Government bonds	41,651	41,178	36,212	37,414
Corporate bonds	46,394	46,913	52,055	52,927
Pooled bond funds	148,544	142,987	137,035	133,802
Pooled equity funds	187,575	181,502	183,567	183,553
Common shares	143,590	202,832	111,387	168,588
	567,754	615,412	520,256	576,284
Other				
Common shares (subject to restrictions *)	4,056	34,278	-	-
Not publicly traded				
Common shares	96	475	4,056	4,056
Mortgages	2,312	2,345	4,400	5,022
Real estate	1,103	1,103	2,586	2,586
	7,567	38,201	11,042	11,664
Total	$ 597,707	$ 676,006	$ 532,382	$ 589,117

Investments are comprised of endowment and non-endowed funds. Endowment investments, including cash and short-term investments, are recorded at cost of $488,088 (2001 - $459,180) with a market value of $536,804 (2001 - $512,583).

* Common shares subject to restrictions relate to shares that were received as compensation for licensing University technology. These shares are currently in escrow and once released are subject to further restrictions on their liquidity.

	2002						2001
	Term to Maturity (in years)				Weighted Average Term to Maturity		
	Under 1	1 to 5	5 to 10	Over 10	8.9 years	Total	Total
Money Market Investments	22,386	-	-	-	-	22,386	1,084
effective yield						*2.46%*	*4.98%*
Marketable securities							
Government bonds	2,274	20,426	10,366	8,585	-	41,651	36,212
effective yield						*5.39%*	*6.14%*
Corporate bonds	2,952	15,735	22,481	5,226	-	46,394	52,055
effective yield						*6.49%*	*6.66%*
Pooled bond funds	-	-	-	-	148,544	148,544	137,035
effective yield						*4.63%*	*5.45%*
Other (not publicly traded)							
Mortgages	-	2,312	-	-	-	2,312	4,400
effective yield						*6.42%*	*6.49%*

4. Investment Income

	2002	2001
Income on investments held for endowment		
Externally restricted	$ 41,090	$ 54,635
Internally restricted	5,884	8,283
	46,974	62,918
Income on other investments	10,670	14,999
Total investment income earned in period	57,644	77,917
Amounts deferred in period	(6,203)	(4,387)
Income capitalized to endowment principal	(14,018)	(28,961)
Total investment income recognized as revenue	$ 37,423	$ 44,569

5. Donations

	2002	2001
Donations included in statement of revenue and expense	$ 15,697	$ 15,192
Gifts included in externally restricted endowment principal	13,884	16,306
Total donations	$ 29,581	$ 31,498

6. Capital Assets and Collections

	2002			2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and utilities	$ 1,017,357	$ 474,894	$ 542,463	$ 945,557	$ 449,977	$ 495,580
Equipment and furnishings	533,881	350,462	183,419	481,194	328,011	153,183
Library materials	90,688	65,258	25,430	83,572	60,345	23,227
Capital assets with limited life	1,641,926	890,614	751,312	1,510,323	838,333	671,990
Land	10,624	-	10,624	10,624	-	10,624
Capital assets	1,652,550	$ 890,614	761,936	1,520,947	$ 838,333	682,614
Collections - Library	87,349		87,349	81,057		81,057
- Other	17,485		17,485	16,736		16,736
Collections	104,834		104,834	97,793		97,793
Capital assets and collections	$ 1,757,384		$ 866,770	$ 1,618,740		$ 780,407

Included in buildings and utilities is $7,688 (2001 – $34,063) recorded as work in progress, which is not subject to amortization as the assets are not yet available for use.

7. Employee Benefit Liabilities

	Academic Staff	Support Staff	Total 2002	Total 2001
Vacation pay	$ 14,129	$ 16,984	$ 31,113	$ 29,191
Long-term disability leave plans	10,651	22,690	33,341	32,607
Early retirement benefit plans	10,296	11,831	22,127	21,288
Retirement incentive programs		-	-	89
	35,076	51,505	86,581	83,175
Less current portion	17,125	20,937	38,062	36,001
	$ 17,951	$ 30,568	$ 48,519	$ 47,174

The University's defined benefit plans provide post-employment benefits to most of its employees, and include long-term disability leave plans, early retirement benefit plans and pension plans. The University's defined benefit plans, other than the pension plans, are unfunded.

	2002		2001	
	Long-term Disability	Early Retirement	Long-term Disability	Early Retirement
Accrued benefit obligation:				
Balance, beginning of year	$ 18,713	$ 20,916	$ 22,722	$ 20,558
Current service cost	3,830	1,220	2,446	916
Interest cost	1,412	1,433	1,652	1,447
Benefits paid	(3,240)	(1,814)	(3,123)	(1,633)
Actuarial (gains) / loss	700	3,160	(4,984)	(372)
Balance, end of year	21,415	24,915	18,713	20,916
Plan assets	-	-	-	-
Funded status – plan deficit	21,415	24,915	18,713	20,916
Unamortized net actuarial gains / (loss)	11,926	(2,788)	13,894	372
Accrued benefit liability	$ 33,341	$ 22,127	$ 32,607	$ 21,288

7. Employee Benefit Liabilities (continued)

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability	Early Retirement
Discount rate	6.75%	6.75%
Rate of compensation increase	n/a	4.00%
Annual inflation rates:		
Dental costs	n/a	3.00%
Supplemental health care costs	n/a	6.75%
Alberta health care costs	n/a	3.00%
Existing claims and pension contributions	2.50%	n/a
Benefit costs	5.00%	n/a

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $19,509 (UAPP - $13,258; PSPP - $6,251) for the year ended March 31, 2002 (2001 - $17,628 (UAPP - $12,067; PSPP - $5,561)).

At December 31, 2001 the Universities Academic Pension Plan financial statements reported an overall deficit for the plan, consisting of a pre-1992 deficiency and a post-1991 surplus. The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for the additional contributions to eliminate the unfunded liability for each of employer and employee at December 31, 2001 is 0.07% (2000 - 0.475%) of salary and the rate for the Province of Alberta is 1.25% (2000 - 1.25%) of salary. Additional contributions made by the University amounted to $374 (2001 - $861), which are included in pension expense for the year.

Until December 31, 2000 the Universities Academic Pension Plan was established through a separate provincial statute, and the Provincial Treasurer of Alberta was the trustee of the plan. Effective January 1, 2001 the Universities Academic Pension Plan became a non-statutory pension plan subject to the Employment Pension Plans Act of Alberta.

8. Long-term Debt

	Collateral	Maturity Date	Interest Rate %	Amount Outstanding 2002	Amount Outstanding 2001
Mortgages payable to CMHC*:					
Lister Residences	Title to land, building	July 2014	5.125	$ 1,665	$ 1,759
Michener Park Phase I	Title to land, building	April 2018	5.875	2,886	2,992
MacKenzie Hall	Title to land, building	November 2018	6.250	1,513	1,563
Debentures payable, Province of Alberta:					
Extension Centre - AMFC*	None	October 2002	7.875	137	265
Housing Union Building	None	June 2008	5.387	2,342	2,650
South Field Car Park - AMFC	None	November 2014	10.250	1,575	1,632
Extension Centre - AMFC	None	October 2017	8.750	7,192	7,397
Steam Turbine Generator - AMFC	Equipment, cash flows	May 2020	6.250	16,504	19,200
Newton Place - AMFC	Title to land, building	August 2024	6.000	15,375	15,684
Bank loans payable:					
Newton Place	None	February 2003	6.210	2,602	2,602
East Campus Housing	Title to land, building	August 2008	6.900	1,623	1,819
				53,414	57,563
Less current portion				4,628	1,960
				$ 48,786	$ 55,603

**Canada Mortgage and Housing Corporation (CMHC)*
**Alberta Municipal Financing Corporation (AMFC)*

The principal portion of long-term debt repayments required over the next five years are as follows:

	Total
2003	$ 4,628
2004	$ 2,012
2005	$ 2,143
2006	$ 2,283
2007	$ 2,433

The estimated fair value for mortgages, debentures and loans payable as at March 31, 2002 is $53,656 (2001 - $59,140).

9. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2002			2001
	Capital	Research, Access and Special Purpose	Total	Total
Balance, beginning of the year	$ 1,672	$ 185,561	$ 187,233	$ 167,980
Grants and donations received	70,884	330,682	401,566	316,076
Recognized as revenue	-	(259,053)	(259,053)	(202,140)
Transferred to unamortized deferred capital contributions	(60,381)	(51,373)	(111,754)	(94,683)
Balance, end of the year	12,175	205,817	217,992	187,233
Less current portion	-	145,817	145,817	125,561
	$ 12,175	$ 60,000	$ 72,175	$ 61,672

Included in Research, Access, and Special Purpose deferred contributions are grants and donations received of $51,373 (2001 - $31,155) applied to the purchase of capital assets.

10. Unamortized Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expense. The changes in the deferred capital contributions balance are as follows:

	2002	2001
Balance, beginning of the year	$ 475,380	$ 415,342
Transferred from deferred contributions	111,754	94,683
Amortization to revenue	(42,380)	(34,645)
Balance, end of the year	$ 544,754	$ 475,380

11. Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity as well as internal allocations by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income. Under Section 17(1)(m) of the Universities Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

	2002			2001		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$ 220,141	$ 19,250	$ 239,391	$ 205,027	$ 18,400	$ 223,427
Cumulative capitalized earnings	226,643	25,113	251,756	212,625	26,592	239,217
	$ 446,784	$ 44,363	$ 491,147	$ 417,652	$ 44,992	$ 462,644

During the year the University capitalized $14,018 (2001 - $28,961) of earnings related to externally restricted endowments. A portion of this amount was added to externally restricted endowments through the authority provided to the University by Section 17(1)(m) of the Universities Act. The University intends that this portion be maintained in perpetuity.

The Board of Governors approved a transfer of $1,479 (2001 - $1,523) of internally restricted endowment net assets to unrestricted net assets deficiency. This is the second of three annual transfers from the Endowment Fund for the Future (EFF) to allocate resources to assist in funding the cost of the University's fund raising campaign The University also approved a transfer of $850 (2001 - $0) from unrestricted net assets to internally restricted endowments to allow the University to offer additional Henry Marshall Tory Chair appointments. Furthermore, the University transferred $1,230 (2001 - $0) from unrestricted net assets to externally restricted endowment net assets. This transfer reflected endowment contributions previously recorded as unrestricted contributions and the establishment of specific endowment trusts by the University. The combined effect of these transfers increased the unrestricted net assets deficiency by $601.

12. Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represents the carrying amount of capital assets and collections less unamortized deferred capital contributions and any related debt, including internal loans held by endowment resources net of internal deferred financing charges relating to such loans.

	2002	2001
Capital assets and collections at net book value	$ 866,770	$ 780,407
Less amounts financed by:		
Unamortized deferred capital contributions	(544,754)	(475,380)
Long-term debt related to capital expenditures	(52,768)	(51,477)
Internal car park loans held by endowments, net of deferred finance charges	(3,059)	(3,464)
Balance, end of year	$ 266,189	$ 250,086

	2002	2001
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 250,086	$ 249,744
Acquisition of capital assets and collections	42,993	41,718
Repayment of long-term debt	2,365	1,876
Long-term debt, new financing	(3,249)	(15,718)
Net book value of asset disposals	(2,488)	(1,307)
Amortization of capital assets	(24,259)	(27,025)
Net investment in capital assets	15,362	(456)
Contributions of assets not subject to amortization	741	798
Increase for the year	16,103	342
Investment in capital assets and collections, end of year	$ 266,189	$ 250,086

13. Budget Comparison

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires universities to disclose their annual approved budgets in their financial statements. The following is a comparison of the approved budget with actual revenues and expenses.

	Actual	Budget	Variance
Revenue:			
Government sources	$ 430,511	$ 418,363	$ 12,148
Credit course tuition and related fees	125,761	120,416	5,345
Grants, donations, investment and royalty income	85,946	90,737	(4,791)
Sales of goods and services	130,915	98,637	32,278
	773,133	728,153	44,980
Amortization of deferred capital contributions	42,380	46,700	(4,320)
	815,513	774,853	40,660
Expense:			
Salaries	413,498	417,988	4,490
Employee benefits	69,979	67,656	(2,323)
Materials, supplies, services and other expenses	235,226	215,299	(19,927)
Amortization of capital assets	66,639	70,349	3,710
	785,342	771,292	(14,050)
Excess of revenue over expense	$ 30,171	$ 3,561	$ 26,610

14. Salary Disclosure

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2002			2001
	Salary	Benefits and Allowances	Total	Total
President	$ 305	$ 32	$ 337	$ 278
Vice-Presidents:				
Provost and Vice-President Academic	246	13	259	218
Vice-President Research	176	12	188	198
Vice-President Finance and Administration	242	5	247	228
Vice-President External Affairs	184	13	197	168
Vice-President Facilities and Operations	117	8	125	-

The Chair and members of the Board of Governors, the Chancellor and members of the Senate, and external members of the Board's standing committees receive no remuneration for the services that they provide to the University.

Benefits include Employment Insurance, Canada Pension Plan and Workers Compensation Board premiums, pension plan contributions, Alberta Health Care, group life insurance, supplementary health care, short and long-term disability plans, dental plan, accidental disability and dismemberment, and remission of tuition fees. A car allowance is included in the benefits and allowances for the President.

Effective July 1, 2001 the Board of Governors divided the Finance and Administration Portfolio into two portfolios (Finance and Administration, Facilities and Operations). The Facilities and Operations portfolio was filled in an acting capacity from July 1, 2001 to February 28, 2002 and was vacant for the month of March 2002. The Research portfolio was vacant for the month of July 2001.

15. Contingent Liabilities and Commitments

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University.

Academic staff members are entitled to a Professional Expense Allowance, enabling them to incur expenditures on behalf of the institution for expenses related to their teaching, research, professional, or general University duties. At March 31, 2002 approximately $3,410 (2001- $3,647) of such allowances is committed for expenses not yet incurred.

The University is one of fifty members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2001 CURIE had a surplus of $7,226 (2000 - $6,693) of which the University's pro rata share is approximately 4.71% (2000 – 4.74%) on an ongoing basis.

The University's total budget commitment, as approved by the Board of Governors, for the costs of construction of an undergraduate student residence amounts to $24,000.

In 2001 the University entered into a five-year agreement ($41,217) for information technology support with an external party. The cost of $31,752 over the remaining four-year period provides for manager application support and manager development services for the University's administrative information systems.

16. Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2002	2001
Alberta Learning:		
Operating grant	$ 245,148	$ 238,894
Access funding	18,016	13,083
Envelope funding	10,395	3,178
Other	14,547	11,704
Total Alberta Learning	288,106	266,859
Total other provincial ministries, departments, and agencies	105,785	84,372
Total contributions received	393,891	351,231
Less: deferred contributions	(51,303)	(42,129)
Revenue from provincial government	$ 342,588	$ 309,102

17. Comparative Figures

Certain 2001 figures have been reclassified to conform to the presentation adopted in the 2002 financial statements.

UNIVERSITY OF CALGARY
Financial Statements

For the year ended March 31, 2002

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense and Unrestricted Net Assets
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2002 and the consolidated statements of revenue, expense and unrestricted net assets, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
June 10, 2002

UNIVERSITY OF
CALGARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002
(thousands of dollars)

ASSETS

	2002	2001 (as restated, note 17)
CURRENT ASSETS		
Cash and cash equivalents (note 3)	$ 55,327	$ 80,610
Investments (note 3)	92,609	82,559
Accounts receivable	56,644	49,119
Inventories	5,387	5,464
Prepaid expenses	2,794	2,861
	212,761	220,613
LONG-TERM INVESTMENTS (note 3)	320,308	331,803
CAPITAL ASSETS AND COLLECTIONS (note 4)	546,471	490,881
	$ 1,079,540	$ 1,043,297

LIABILITIES AND NET ASSETS

	2002	2001
CURRENT LIABILITIES		
Accounts payable	$ 54,857	$ 56,926
Deferred revenue	14,663	12,325
Current portion of long-term liabilities (note 5)	2,960	3,050
Deferred contributions, research and other (note 7)	105,409	110,697
	177,889	182,998
DEFERRED CAPITAL CONTRIBUTIONS (note 7)	52,388	54,320
LONG-TERM LIABILITIES (note 5 and note 6)	26,259	28,666
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 8)	361,596	338,027
NET ASSETS		
Restricted for endowment purposes (note 9)	267,125	255,906
Investment in capital assets and collections	158,126	124,461
Internally restricted (note 10)	35,476	58,393
Unrestricted	681	526
	461,408	439,286
	$ 1,079,540	$ 1,043,297

Commitment and contingencies (note 15)

Signed on behalf of the Board of Governors:

Member of the Board

Phyllis Heaphy

Vice-President (Finance & Services)

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF REVENUE, EXPENSE AND UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002
(thousands of dollars)

	2002	2001 (as restated, note 17)
REVENUE		
Government of Alberta grants (note 16)	$ 240,415	$ 216,562
Other government grants	60,812	26,295
Donations and other grants	53,902	56,253
Credit tuition and related fees	91,906	86,878
Non-credit tuition and related fees	14,992	13,597
Sales of services and products	63,597	59,817
Amortization of deferred capital contributions (note 8)	42,975	43,172
Investment income (note 11)	9,614	38,800
	578,213	541,374
EXPENSE		
Salaries	298,386	266,246
Benefits	41,626	36,897
Materials, supplies and services	76,095	66,515
Amortization of capital assets	56,547	57,833
Utilities	22,144	19,353
Scholarships, grants and awards	19,401	18,127
Travel	18,682	17,767
Cost of goods sold	16,882	16,817
Maintenance and repairs	14,428	8,717
Financing	2,055	2,092
Loss on disposal of capital assets	1,057	-
	567,303	510,364
EXCESS OF REVENUE OVER EXPENSE, for the year (note 13)	10,910	31,010
TRANSFER TO ENDOWMENTS	(7)	(6,052)
TRANSFER FROM (TO) BOARD APPROPRIATIONS	22,917	(49,345)
TRANSFER TO NET INVESTMENT IN CAPITAL ASSETS AND COLLECTIONS	(33,665)	(1,478)
UNRESTRICTED NET ASSETS, at beginning of year	526	26,391
UNRESTRICTED NET ASSETS, at end of year	$ 681	$ 526

The accompanying notes are part of these financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2002 (thousands of dollars)

	Net Investment in Capital Assets & Collections	Internally Restricted Net Assets	Restricted for Endowment Purposes	Unrestricted Net Assets	2002 Total	2001 Total (as restated, note 17)
NET ASSETS, beginning of year as previously reported	$ 122,974	$ 58,393	$ 255,906	$ 526	$ 437,799	$ 352,923
Adjustment to prior period (note 17)	1,487	-	-	-	1,487	27,878
NET ASSETS, beginning of year, as restated	124,461	58,393	255,906	526	439,286	380,801
Excess of revenue over expense	-	-	-	10,910	10,910	31,010
Amortization of internally funded assets	(13,572)	-	-	13,572	-	-
Expenditure of internally restricted net assets	-	(8,797)	-	8,797	-	-
Purchase of internally funded capital assets	46,265	(9,260)	-	(37,005)	-	-
Repayment of long-term debt	2,020	-	-	(2,020)	-	-
Loss on disposal of internally funded capital assets	(1,048)	-	-	1,048	-	-
Board appropriations	-	(4,860)	110	4,750	-	-
Transfer to internally restricted endowments	-	-	(157)	157	-	-
Externally restricted endowment contributions	-	-	11,266	(54)	11,212	27,475
NET ASSETS, end of year	$ 158,126	$ 35,476	$ 267,125	$ 681	$ 461,408	$ 439,286

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002
(thousands of dollars)

	2002	2001 (as restated, note 17)
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expense	$ 10,910	$ 31,010
Items not affecting cash flow:		
Amortization of capital assets	56,547	57,833
Amortization of deferred capital contributions	(42,975)	(43,172)
Loss on disposal of capital assets	1,057	-
Net change in non-cash working capital	(22,450)	(1,216)
	3,089	44,455
INVESTING ACTIVITIES		
Purchase of capital assets	(113,194)	(95,127)
Proceeds (acquisitions) of long-term investments, net	11,495	(48,331)
	(101,699)	(143,458)
FINANCING ACTIVITIES		
Endowment contributions	11,212	27,475
Capital contributions	64,612	58,838
(Decrease) increase in long-term liabilities	(2,497)	14,231
	73,327	100,544
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,283)	1,541
CASH AND CASH EQUIVALENTS, beginning of year	80,610	79,069
CASH AND CASH EQUIVALENTS, end of year (note 3)	$ 55,327	$ 80,610

Net change in non-cash working capital:	2002	2001
Increase in Investments	$ (10,050)	$ (12,841)
Increase in Accounts receivable	(7,525)	(19,696)
Decrease (Increase) in Inventories	77	(837)
Decrease (Increase) in Prepaid expenses	67	(1,286)
(Decrease) Increase in Accounts payable	(2,069)	10,193
Increase in Deferred revenue	2,338	1,242
(Decrease) Increase in Deferred contributions, research and other	(5,288)	22,009
	$ (22,450)	$ (1,216)

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under the authority of The Universities Act, Chapter U-3, Revised Statutes of Alberta 2000. It is a Board-governed, comprehensive research university offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity and is exempt from the payment of income tax under Section 149 of the Income Tax Act. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) *General*

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) *Consolidated Statements*

These financial statements include the accounts of University Technologies International Inc. (UTI), a wholly-owned subsidiary of the University, and The Arctic Institute of North America (AINA), a non-profit organization controlled by the University. UTI is incorporated under the Canada Business Corporations Act to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, to encourage, to support northern research and to advance the study of arctic conditions and problems.

(c) *Revenue Recognition*

Operating grants are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned.

Amounts received for tuition fees and sales of services and products are recognized as revenue at the time the services are substantially provided or the products are delivered. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Pledges are recognized as revenue when collected.

The University recognizes restricted contributions in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which related expenses are incurred.

Contributions restricted to the acquisition of capital assets are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Endowment contributions, including that portion of investment earnings, which, in accordance with agreements with benefactors or the authority provided by Section 17(1)(m) of the Universities Act, are allocable to endowment principal, are recognized as direct increases to net assets.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Long-term investments are recorded at cost. Current investments are recorded at the lower of cost or market value. Gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is other than temporary impairment in the value of an investment.

(e) Credit Risk and Interest Rate

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value.

(g) Capital Assets and Collections

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair value when a fair value can be reasonably determined. Buildings include construction in progress. No amortization is recorded until construction is substantially complete and the assets are ready for productive use. Amortization is recorded on a straight line basis over the estimated useful lives of the capital assets, which are forty years for buildings, twenty years for site improvements and utilities, ten years for telecommunication equipment, an average of ten years for furnishings, equipment, systems and library acquisitions and ten years for patents.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art, which are held for education and public exhibition purposes. Sales proceeds are used to acquire other items to be added to the collection.

(h) Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing pension, early retirement incentive and other future employee benefits. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements.

(i) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Cash Equivalents, Investments and Long-term Investments

	2002					2001	
						Total	
	Cash & Cash Equivalents (2)	Current Investments (3)	Long Term (4)	Cost	Market (1)	Cost	Market
Money market investments	$ 36,256	$ -	$ 283	$ 36,539	$ 36,539	$ 74,630	$ 74,630
Bank balances	17,903	-	-	17,903	17,903	8,552	8,552
Bonds	-	92,609	-	92,609	93,289	95,967	96,802
TSE 300 index	-	-	113,786	113,786	103,880	99,561	84,531
Bond index	-	-	68,405	68,405	69,602	84,545	86,456
International index	-	-	69,932	69,932	68,763	69,459	54,267
S & P 500 index	-	-	66,702	66,702	69,568	55,111	56,569
Canadian shares	1,168	-	434	1,602	1,910	4,785	4,846
Investment in joint venture	-	-	91	91	91	-	-
Accounts receivable	-	-	469	469	469	546	546
U. S. shares	-	-	206	206	180	1,816	1,761
Total, 2002	$ 55,327	$ 92,609	$ 320,308	$ 468,244	$ 462,194	$ 494,972	$ 468,960
Total, 2001	$ 80,610	$ 82,559	$ 331,803	$ 494,972	$ 468,960		

(1) Market value approximates fair value of investments.

(2) Money market investments are purchased at a discount. These investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2002 the investments held have an average effective yield of 2.206% and will mature within 42 days. The average realized return on money market investments for 2002 was 3.69% (2001 - 5.6%).

(3) Current investments include bonds that have a maximum allowable term of eight years and stated interest ranging from 3.7% to 10.25%. (2001 - 5.1% to 8.75%). All bonds have a rating of a single "A" or better. Term to maturity of bonds is based upon contractual maturity dates. Effective yield for bonds is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration model.

(4) Long-term investments include equities and indexed funds. Effective yield on fixed investments is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration model. Market yield on indexed investments represents the annualized return for the pooled investment fund taking into account both realized and unrealized gains and losses. It closely resembles the externally published yields of the benchmark indices for the same annualized period.

Note 3 Cash and Cash Equivalents, Investments and Long-term Investments (continued)

Yields on current and long-term investments are as follows:

	2002		2001	
	Effective Yield	Cost	Effective Yield	Cost
Curent Investments				
Bond maturity				
0-2 years to maturity	5.81%	$ 12,603	4.42%	$ 2,172
2-5 years to maturity	5.31%	65,702	5.45%	69,663
> 5 years to maturity	5.87%	14,304	5.96%	10,724
		$ 92,609		$ 82,559

Long-term investments without fixed interest rates and maturity dates:	2002 Market Yield	Cost	2001 Market Yield	Cost
Money market investments	3.69%	$ 283	5.62%	$ 2,779
TSE 300 index	4.95%	113,786	-18.38%	99,561
Bond index	5.14%	68,405	8.88%	84,545
International index	-6.18%	69,932	-22.22%	69,459
S & P 500 index	1.56%	66,702	-14.98%	55,111
Accounts receivable	-	469	-	546
Canadian shares	-	434	-16.23%	4,578
U.S. shares	-	206	-23.78%	1,816
Investment in joint venture	-	91	-	-
	-	320,308	-	318,395

	Effective Yield	Cost	Effective Yield	Cost
Long-term investments with fixed interest rates and maturity dates:				
Bonds with:				
0-3 years to maturity	-	-	6.30%	3,736
3-5 years to maturity	-	-	7.21%	2,889
5-10 years to maturity	-	-	6.35%	1,764
>10 years to maturity	-	-	5.97%	5,019
	-	-	-	13,408
	-	$ 320,308	-	$ 331,803

The carrying value of certain investments (the TSE 300 index and the International index funds) is in excess of fair market value at March 31, 2002. The University's management has not reduced the value of these investments to their fair market value. The carrying value would be reduced to fair market value in those circumstances where the decline in value is other than temporary (normally, over a two to three year period). In management's best judgement, based on a thorough review with both its investment advisors and the University of Calgary Investment Committee, the decline in fair market value is deemed to be temporary.

Note 4 Capital Assets and Collections

(a) Summary of Capital Assets

	2002			2001 (as restated, note 17)
	Cost	Accumulated Amortization	Net	Net
Buildings and plant	$ 671,106	$ 275,211	$ 395,895	$ 370,769
Furnishings, equipment and systems	312,717	208,888	103,829	75,342
Library books	106,381	83,955	22,426	20,960
Land	14,058	-	14,058	14,057
Art collection	6,382	-	6,382	6,045
Rare books and archives collection	2,849	-	2,849	2,805
Patents	1,850	818	1,032	903
	$ 1,115,343	$ 568,872	$ 546,471	$ 490,881

Included in furnishings and equipment are assets under capital lease in the amount of $1,277 (2001 - $901). Accumulated amortization is $531 (2001 – $303) on these assets.

(b) Donated Assets

Capital acquisitions during the year included donations-in-kind in the amount of $5,242 (2001 - $9,094). During the year the University received several pieces of software and software licences as donations-in-kind that were recorded at a nominal value.

(c) Patents

During the year, patents with a net book value of $152 (2001 - $243) were written off.

Note 5 Long-term Liabilities

	Rate of Interest	Original Advance	Amount Outstanding 2002	Amount Outstanding 2001
Mortgage for Varsity Courts, due November 1, 2005	7.875%	$ 3,714	$ 962	$ 1,187
Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9.750%	1,900	837	962
Debentures for Art Building, due December 15, 2006	9.75 % & 10%	11,700	5,167	5,940
Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9.750%	3,953	1,741	2,002
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	1,189	1,247
Debenture for Cascade Hall, due May 1, 2025	6.250%	16,500	16,210	16,500
			26,106	27,838
Obligation under capital leases			643	555
Early retirement incentive plans (Note 6)			1,944	2,895
Long-term disability plans (Note 6)			251	249
Pension obligations (Note 6)			275	179
			29,219	31,716
Current portion			(2,960)	(3,050)
			$ 26,259	$ 28,666

All debentures are secured by land. The mortgages are secured by land and are guaranteed by the Province of Alberta.

Debentures and mortgages are carried at their face value. The estimated fair value for mortgages and debentures as at March 31, 2002 is $28,450 (2001 - $30,872). The fair value of long-term debt is determined by discounting future cash flows using market rates representing those which the University could obtain at March 31 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $2,055 (2001- $2,092) has been charged to expense.

Principal payments on the mortgage and debentures during the next five fiscal years are as follows: 2003 - $1,885; 2004 - $2,052; 2005 - $2,233; 2006 - $2,301 and 2007 - $2,318.

Early retirement incentive plans are payable over various periods extending up to the year 2009. Payments to be made during the next five fiscal years are: 2003 - $729; 2004 - $476; 2005 - $362; 2006 - $279 and 2007 - $162.

Future minimum lease payments under capital leases are as follows:

	2003	$ 389
	2004	252
	2005	62
Total minimum lease payments		703
Less, amount representing an average interest rate of 7.22%		(60)
Balance of capital lease obligation		$ 643

Note 6 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, retirement incentive programs and supplemental pension obligations. Information about the University's defined benefit plans is as follows:

	2002			2001		
	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Accrued benefit obligation						
Balance, beginning of year	$ 249	$ 2,895	$ 179	$ 272	$ 3,842	$ 100
Current service cost	-	-	69	17	-	79
Interest cost	13	121	19	-	215	-
Benefits paid	(26)	(1,033)	-	(40)	(1,162)	-
Transitional obligation	15	(75)	7	-	-	-
Amortization of actuarial gains	-	36	1	-	-	-
Balance, end of year	251	1,944	275	249	2,895	179
Plan assets	-	-	-	-	-	-
Funded status - plan deficit	(251)	(1,944)	(275)	(249)	(2,895)	(179)
Unamortized net actuarial losses	(318)	-	-	-	-	-
Unamortized past service costs	-	-	(21)	-	-	(39)
Unamortized transitional obligation	-	-	(26)	-	-	(20)
Accrued benefit liability	$ (569)	$ (1,944)	$ (322)	$ (249)	$ (2,895)	$ (238)

The University's defined benefit plans are unfunded. The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Discount Rate	4.75%	4.75%	6.5%
Compensation increase	n/a	n/a	3%
Annual inflation rates:			
Dental costs	3%	3%	n/a
Extended health care costs	8%	8%	n/a
Alberta health care costs	3%	3%	n/a

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to an actuarially determined contributions payable of $12,106 for the year ended March 31, 2002 (2001 - $11,277).

At December 31, 2001 the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084).

At December 31, 2001 the University Academic Pension Plan reported a deficit of $151,996 (2000 - $109,495). The unfunded liability for service prior to January 2, 1992 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employer and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The employer and employee rate at December 31, 2001 is 0.07% each of salary and the rate for the Province of Alberta is 1.25% of salary.

Note 7 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2002		2001	
	Research & Other	Capital	Research & Other	Capital
			(as restated, note 17)	
Contributions received during the year:				
Government of Alberta grants	$ 47,764	$ 31,790	$ 30,667	$ 24,653
Other government grants	64,744	5,847	47,079	3,649
Sales	1,716	-	404	-
Donations	50,478	12,527	50,962	15,917
Investment (loss) income (note 11)	(1,857)	1,292	29,449	2,554
	162,845	51,456	158,561	46,773
Transferred to revenue:				
Government of Alberta grants	42,625	-	22,285	-
Other government grants	59,111	-	32,582	-
Sales	1,716	-	308	-
Donations	40,359	-	46,284	-
Investment Income	12,212	-	26,522	-
	156,023	-	127,981	-
Net change in accounts receivable	1,046	-	3,639	-
Transferred to unamortized deferred capital contributions	(11,751)	(54,793)	(9,602)	(54,278)
Transferred from (to) unrestricted accounts	(1,405)	1,405	(2,044)	2,463
Increase (decrease) during the year	(5,288)	(1,932)	22,573	(5,042)
Balance, beginning of year	110,697	54,320	88,124	59,362
Balance, end of year	$ 105,409	$ 52,388	$ 110,697	$ 54,320

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2002	2001
		(as restated, note 17)
Balance, beginning of year	$ 338,027	$ 317,319
Transfer from deferred capital contributions	66,544	63,880
Amortization of deferred capital contributions	(42,975)	(43,172)
Balance, end of year	$ 361,596	$ 338,027

Note 9 Net Assets Restricted for Endowment Purposes

Endowments consist of restricted contributions where the principal donation is required to be maintained in perpetuity as well as internal allocations by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal.

	2002			Restated 2001		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$ 122,224	$ 25,160	$ 147,384	$ 117,068	$ 24,792	$ 141,860
Cumulative capitalized earnings	91,819	27,922	119,741	85,634	28,412	114,046
	$ 214,043	$ 53,082	$ 267,125	$ 202,702	$ 53,204	$ 255,906

During the year the University capitalized $6,185 (2001 - $16,653) of earnings related to externally restricted endowments. The Board of Governors approved the use of previously capitalized earnings of $490 (2001 capitalized - $5,205) from internally restricted endowments.

Note 10 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2002 net assets have been set aside for the following purposes:

	2002	2001
Renovations	$ 5,021	$ 5,171
Equipment	8,377	9,398
New Construction	487	9,361
Subsidiaries	5,810	4,877
Faculty and Departmental	8,462	29,586
Indirect Research Support	7,319	-
	$ 35,476	$ 58,393

Note 11 Investment Income

	2002	2001 (as restated, note 17)
Investment (loss) income on resources held for endowment		
Externally restricted	$ (1,672)	32,433
Internally restricted	(684)	8,057
Income on other investments	5,378	20,936
Total investment income earned in year	3,022	61,426
Amounts recognized (deferred) in year	14,069	(3,419)
Amounts credited directly to capital contributions (note 7)	(1,292)	(2,554)
Income capitalized to endowment principal	(6,185)	(16,653)
Total investment income recognized as revenue	$ 9,614	$ 38,800

Note 12 Salaries and Benefits

In accordance with Directive 12/98 from the Treasury Board of the Province of Alberta dated December 16, 1998, the salaries and benefits of the University's senior decision management group are disclosed as follows:

	2002			2001
	Salaries (1)	Benefits and Allowances (2)	Total	Total
Governance (3)				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
President (4)	223	72	295	278
Vice-President				
Provost and Academic	191	32	223	211
Finance and Services	170	35	205	193
Research	135	14	149	155
Associate (Student Affairs)	120	12	132	126
	$ 839	$ 165	$ 1,004	$ 963

(1) **Salaries** – Salaries include regular base pay and honorariums.

(2) **Benefits** – Benefits and allowances include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, supplemental pension plans and professional expense allowance. Benefits reported for the President do not include personal use of a University residence. Benefits reported for the President and Vice-Presidents do not include personal use of University vehicles.

(3) **Governance** – The University is governed by the Board of Governors. Members are either appointed or serve in an *ex officio* capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(4) **President** – Two individuals held this position during the year ended March 31, 2002.

Note 13 Budget Comparison

A combined operating and capital budget prepared on a functional or departmental basis was approved by the Board of Governors on May 11, 2001. Budgets are subject to reallocation by departments and faculties throughout the year and the final reallocated budget is presented for purposes of comparison to actual results. The operating budget has also been reformatted to conform to generally accepted accounting principles as follows:

	2002		2001 (as restated, note 17)	
	Total		Total	
	Budget	Actual	Budget	Actual
REVENUE				
Government of Alberta grants	$ 227,996	$ 240,415	$ 179,672	$ 216,562
Other government grants	54,994	60,812	58,172	26,295
Donations and other grants	55,053	53,902	54,151	56,253
Credit tuition and related fees	90,087	91,906	87,390	86,878
Non-credit tuition and related fees	13,059	14,992	12,217	13,597
Sales of services and products	56,156	63,597	54,423	59,817
Amortization of deferred capital contributions	65,396	42,975	41,500	43,172
Investment income	29,592	9,614	25,389	38,800
	592,333	578,213	512,914	541,374
EXPENSE				
Salaries	302,188	298,386	262,480	266,246
Benefits	42,975	41,626	38,090	36,897
Materials, supplies and services	60,599	76,095	58,117	66,515
Amortization of capital assets	77,240	56,547	52,271	57,833
Utilities	21,963	22,144	19,940	19,353
Scholarships, grants and awards	20,936	19,401	18,148	18,127
Travel	16,227	18,682	13,477	17,767
Cost of goods sold	16,051	16,882	15,596	16,817
Maintenance and repairs	6,765	14,428	7,662	8,717
Financing	3,676	2,055	3,676	2,092
Loss on disposal of capital assets	-	1,057	-	-
	568,620	567,303	489,457	510,364
EXCESS OF REVENUE OVER EXPENSE	$ 23,713	$ 10,910	$ 23,457	$ 31,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 14 Pledges

Pledges to the University at March 31, 2002 are $5,533 (2001 - $5,210). These pledges are expected to be honoured over the next several years and have not been recorded as receivable.

Note 15 Commitment and Contingencies

(a) As at March 31st the University has a contractual commitment of $13,771 (2001 - $28,620) for capital projects. This amount has not been recorded in the financial statements.

(b) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings, the total of which is not substantial, have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2001 CURIE had a surplus of $ 7,226 (2000 - $6,694) of which the University's pro rata share is approximately 6.94% (2000 – 6.97%) on an ongoing basis.

(d) Commitments on operating leases for the next five years are as follows: 2003 - $1,200; 2004 - $1,164; 2005 – $1,024; 2006 – $888; 2007 – $599.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a three year contract to fix its electrical cost at an average of 8.3¢ per kilowatt hour. Based on 2002 consumption, the annual costs for the year ending March 31, 2003 are expected to be $14.4 million.

Note 16 Related Party Transactions

(a) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. The majority of the assets held by the Foundation originate from those transferred in 2000 from the now inactive University of Calgary (Crown) Foundation. During the year, the University received grants from the Foundation totalling $184 (2001 - $173). At March 31, 2002 the University was holding $437 on behalf of the Foundation (2001 - $451).

(b) In 2001 and 2002, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

(c) During 2002, the University entered into an arrangement with Athabasca University and University of Lethbridge to offer the Master of Counselling program. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting.

Note 16 Related Party Transactions (continued)

(d) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province are summarized as follows:

	2002	2001
Alberta Learning:		
Operating grant	$ 157,974	$ 150,363
Performance funding	6,624	4,837
Access	17,717	14,376
Miscellaneous grants	8,437	12,265
Total Alberta Learning grants	190,752	181,841
Other provincial departments and agencies received	86,592	67,756
Total Government of Alberta grants received	277,344	249,597
Provincial grants deferred	(36,929)	(33,035)
Earned Government of Alberta grants	$ 240,415	$ 216,562

At March 31, 2002 the University had a receivable from the Province of Alberta of $9,757 (2001 - $7,939) and a payable to the Province of Alberta of $251.

Note 17 Prior Period Adjustment

The University has a policy of capitalizing unexpended investment income earned on external endowments. In prior years, the amount capitalized in accordance with this policy was recorded as investment income. The University now records externally restricted unexpended interest as a direct increase in the value of the endowments. Also, the University has changed its method of eliminating revenue on internal cost recoveries.

During the prior year the University incorrectly recorded deferred contributions as prepaid expense and deferred revenue. In prior years, the University incorrectly recorded some capital assets as externally funded. As a result, unamortized deferred capital contributions were overstated and net investment in capital assets was understated.

These changes have been applied retroactively with restatement of comparatives. The impact on the prior years financial statements as a result of the prior period adjustment is as follows:

Note 17 Prior Period Adjustment (continued)

	2001		
	As Previously Reported	Prior Period Adjustment	As Restated
Consolidated Statement of Financial Position			
Increase (decrease) in:			
Prepaid expenses	1,436	1,425	2,861
Deferred revenue	12,958	(633)	12,325
Deferred contributions, research and other	108,639	2,058	110,697
Unamortized deferred capital contributions	339,514	(1,487)	338,027
Investment in capital assets and collections	122,974	1,487	124,461
Consolidated Statement of Revenue, Expense and Unrestricted Net Assets			
Increase (decrease) in:			
Donations and other grants	56,041	212	56,253
Investment Income	52,905	(14,105)	38,800
Salaries	259,681	6,565	266,246
Materials, supplies and services	73,049	(6,534)	66,515
Cost of goods sold	16,735	82	16,817
Scholarships, grants and awards	16,323	1,804	18,127
Maintenance and repairs	11,370	(2,653)	8,717
Travel	17,031	736	17,767
Statement of Cash Flows			
Increase (decrease) in:			
Excess of revenue over expense	44,903	(13,893)	31,010
Endowment contributions	13,582	13,893	27,475

Note 18 Subsequent Event

At March 31,2002, the University was in negotiation for the purchase of a building. The purchase was subject to approval by the Lieutenant Governor in Council. On April 17, 2002 the University received approval to borrow $44.5 million at a rate not to exceed 7% over a period not to exceed twenty-five years. In addition, approval was received to borrow $5.5 million in the form of interest free vendor financing. In May 2002, the purchase transaction closed.

Note 19 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 20 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE ARCTIC INSTITUTE OF NORTH AMERICA

FINANCIAL STATEMENTS

MARCH 31, 2002

Auditor's Report

Statement of Financial Position

Statement of Revenue and Expense

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 –Arctic Journal Statement of Operations for the year March 31, 2002

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the statement of financial position of The Arctic Institute of North America as at March 31, 2002 and the statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
June 3, 2002

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2002

	2002	2001 (Restated Note 3)
ASSETS		
Current assets:		
Due from University of Calgary	$ 754,810	$ 635,049
Accounts receivable	60,100	60,765
Inventory	21,801	24,356
Prepaid expenses	6,592	6,200
	843,303	726,370
Investments (Note 4)	850,453	839,711
Capital assets and collections (Note 5)	563,318	560,316
	$ 2,257,074	$ 2,126,397
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued charges	$ 61,135	$ 66,409
Deferred revenue	90,254	89,565
Deferred contributions (Note 6)	159,764	131,509
	311,153	287,483
Deferred contributions (Note 6)	10,000	10,000
Unamortized deferred capital contributions	27,425	25,747
	37,425	35,747
Net assets:		
Unrestricted net assets	894,163	772,361
Investment in capital assets and collections	535,893	534,569
Internally restricted net assets (Note 14)	97,987	119,254
	1,528,043	1,426,184
Endowments (Note 8)	380,453	376,983
	1,908,496	1,803,167
	$ 2,257,074	$ 2,126,397

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2002

	2002		2001
	Budget (Note 12)	Actual	Actual (Restated Note 3)
Revenue:			
University of Calgary and Government grants (Note 10)	$ 442,950	$ 467,465	$ 423,339
Sales of services and products	349,100	327,555	314,070
Donations and other grants	112,000	244,169	233,600
Investment income (Note 9)	67,500	27,734	131,416
Earned capital contribution	-	1,116	450
	971,550	1,068,039	1,102,875
Expense:			
Salaries (Note 11)	474,200	457,281	437,767
Benefits (Note 11)	62,900	67,180	63,098
Materials, supplies and services	347,800	336,568	363,423
Grants, scholarships and awards	22,500	41,616	30,550
Amortization	21,500	29,624	22,537
Travel and meeting	35,000	30,941	71,300
	963,900	963,210	988,675
Excess of revenue over expense	$ 7,650	$ 104,829	$ 114,200

THE ARCTIC INSTITUTE OF NORTH AMERICA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2002

	2002					2001
	Internally Restricted Net Assets	Unrestricted Net Assets	Investment in Capital Assets and Collections	Endowments	Total	Total (Restated Note 3)
Net assets, beginning of year as previously reported	$ 50,000	$ 782,262	$ 534,569	$ 376,983	$ 1,743,814	$ 1,617,639
Adjustment (Note 3)	69,254	(9,901)	-	-	59,353	53,668
Net assets, beginning of year	119,254	772,361	534,569	376,983	1,803,167	1,671,307
Excess of revenue over expense		104,829			104,829	114,200
Transfer to (from) internally restricted	(21,267)	21,267			-	-
Non-amortizable collection donations		-			-	6,050
Capital asset acquisitions		(29,832)	29,832		-	-
Amortization		28,508	(28,508)		-	-
Investment income capitalized		-		-	-	6,610
Endowment contributions		-		500	500	5,000
Internal transfer to endowments		(2,970)		2,970	-	-
Net assets, end of year	$ 97,987	$ 894,163	$ 535,893	$ 380,453	$ 1,908,496	$ 1,803,167

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001 (Restated Note 3)
Operating activities:		
Excess of revenue over expense	$ 104,829	$ 114,200
Add back items not affecting cash flow:		
Amortization	29,624	22,537
Earned capital contributions	(1,116)	(450)
	133,337	136,287
Net change in non-cash working capital	26,498	5,010
Cash generated from operating activities	159,835	141,297
Investing activities:		
Purchase of investments, net	(10,742)	(59,584)
Acquisition of capital assets	(32,626)	(31,162)
Cash applied to investing activities	(43,368)	(90,746)
Financing activities:		
Contributions to endowment	500	11,610
Contributions to collection	-	6,050
Capital contributions	2,794	17,197
Cash generated through financing activities	3,294	34,857
Increase in cash and cash equivalents	119,761	85,408
Due from University of Calgary, at beginning of year	635,049	549,641
Due from University of Calgary, at end of year	$ 754,810	$ 635,049

THE ARCTIC INSTITUTE OF NORTH AMERICA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002

Note 1 Authority and Purpose

The Arctic Institute of North America (the "Institute") operates under authority of an Act of the Federal Parliament (9-10 George VI, Chapter 45). Its objective is to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

Under a 1979 agreement between the Institute and the University of Calgary, the Institute vested its control and management with the University.

The Institute is a charitable organization and is exempt from payment of income tax under the Income Tax Act of Canada.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Operating grants are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Investment income subject to external restrictions is depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the year the related expenses are incurred.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Externally restricted capital grants are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Amounts received for the sales of services and products are classified as unearned and recognized as revenue at the time the products are delivered or the services are substantially provided.

(b) Inventory

Inventory of publications held for resale are valued at the lower of cost and net realizable value.

(c) Due from University of Calgary

Due from University of Calgary represents cash held by the University of Calgary.

(d) Investments

Investments consist of units held in the University of Calgary pool of index funds. Cash and cash equivalents and investments are held in trust by the Institute's parent, the University of Calgary. Investments are recorded at cost. Gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is an other than temporary decline in value.

(e) Capital Assets and Collections

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair market value. Capital assets are amortized on a straight-line basis over the average useful lives of the capital assets which are:

Buildings	30 years
Leasehold improvements	20 years
Furnishings and equipment	10 years
Computer equipment	3-6 years

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Capital Assets and Collections (continued)

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art, carvings, historic films, sound records and tape recordings which are held for educational and public exhibition purposes. If sold, collections are removed from the accounts at their book value and any proceeds from their sale are used to acquire other items to be added to the collections.

(f) Employee Future Benefits

The Institute participates in the Public Service and University Academics Pension Plans. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plan deficit or surplus is not recorded by the Institute.

Note 3 Prior Period Adjustments

The Institute has determined that an accrual for vacation pay for its trust employees should have been recorded. As a result, accounts payable and accrued charges and salaries expense was understated. Vacation pay accrual has been adjusted retroactively.

The Institute has determined that cash that was held on behalf of others had been incorrectly recorded as the Institute's cash. As a result, cash and deferred contributions were overstated. The correction of this error has been applied retroactively.

The Institute has determined that an error had been made in recording revenue. As a result, revenue was understated and deferred contributions were overstated. The Institute now classifies these funds as internally restricted. The correction of this error has been applied retroactively.

Note 3 Prior Period Adjustments (continued)

As a result of the correction of the errors, the Institute's financial statements for the year ended March 31, 2001 have been restated as follows:

	2001		
Statement of Financial Position	As Previously Reported	Adjustments	As Restated
Due from University of Calgary	$ 653,931	$ (18,882)	$ 635,049
Accounts payable and accrued charges	$ 56,508	$ 9,901	$ 66,409
Deferred contributions	$ 219,645	$ (88,136)	$ 131,509
Unrestricted net assets at beginning of year	$ 711,421	$ (8,029)	$ 703,392
Unrestricted net assets at end of year	$ 782,262	$ (9,901)	$ 772,361
Internally restricted net assets at beginning of year	$ -	$ 61,697	$ 61,697
Internally restricted net assets at end of year	$ 50,000	$ 69,254	$ 119,254
Statement of Revenue and Expense			
Sales of services and products	$ 313,439	$ 631	$ 314,070
Salaries	$ 435,895	$ 1,872	$ 437,767
Materials, supplies and services	$ 370,349	$ (6,926)	$ 363,423
Excess of revenue over expense	$ 108,515	$ 5,685	$ 114,200
Statement of Cash Flows			
Net change in non-cash working capital	$ 15,409	$ (10,399)	$ 5,010
Excess of revenue over expense	$ 108,515	$ 5,685	$ 114,200

Note 4 Investments

Periodically, the Institute's Board directs the University of Calgary to transfer cash equivalents into long-term investments. The University manages the Institute's investments on behalf of the Institute. Investments include instruments in the following funds:

	2002			2001		
	Market Yield	Cost	Market	Market Yield	Cost	Market
TSE 300 index	4.95%	$ 294,149	$266,305	-18.38%	$262,661	$ 238,065
Bond index	5.14%	222,803	227,488	8.88%	235,054	236,647
International index	-6.18%	174,343	171,202	-22.27%	192,802	149,654
S&P 500 index	1.56%	159,158	174,463	-14.98%	149,194	156,905
		$ 850,453	$839,458		$839,711	$ 781,271

The carrying value of investments is in excess of fair market value at March 31, 2002. The Institute's management has not reduced the value of these investments to their fair market value. The carrying value would be reduced to fair market value in those circumstances where the decline in value is other than temporary (normally over a two to three year period). In management's best judgment, based on historical data and current market trends, the decline in fair market value is deemed to be temporary.

Note 5 Capital Assets and Collections

	2002			2001
	Cost	Accumulated Amortization	Net	Net
Buildings and leasehold improvements	$ 105,016	$ 75,091	$ 29,925	$ 11,883
Furnishings and equipment	221,947	180,861	41,086	38,929
Collections	492,307	-	492,307	492,307
Construction in progress	-	-	-	17,197
	$ 819,270	$ 255,952	$ 563,318	$ 560,316

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes. Deferred contribution balances are as follows:

	2002	2001
Contributions received during the year:		
Donations and contributions	$ 116,134	$ 113,120
Restricted investment income	-	15,503
	116,134	128,623
Transferred to:		
Donations and other grants	68,221	140,582
Investment income revenue	19,658	-
	87,879	140,582
Increase during the year	28,255	(11,959)
Balance beginning of year	131,509	143,468
Balance end of year	$ 159,764	$ 131,509
The balance is restricted for:		
Scholarships	$ 13,273	$ 30,746
Research	146,491	100,763
	$ 159,764	$ 131,509

In addition to the above, the Institute also has non-current deferred contributions in the amount of $10,000 (2001 - $10,000) that are held for scholarships.

Note 7 Pension Costs

The pension expense recorded in these financial statements is equivalent to the Institute's annual contributions payable of $21,279 for the year ended March 31, 2002 (2001 $18,797).

Note 8 Endowment Funds

	Balance March 31, 2001	Investment Earnings and Contributions Received	Balance March 31, 2002
Externally restricted:			
Jennifer Robinson Memorial Scholarship	$ 67,953	$ -	$ 67,953
Lorraine Allison Scholarship	30,908	500	31,408
Jim Bourque Scholarship	12,512	-	12,512
Budget Calgary Endowment for Scholarships	25,000	-	25,000
Amoco Canada Educational Award	69,299	-	69,299
Gerald Thompson Scholarship	21,300	-	21,300
	226,972	500	227,472
Internally restricted:			
Gerald Thompson Scholarship	20,000	-	20,000
General (Life Members Fund)	130,011	2,970	132,981
	$ 376,983	$ 3,470	$ 380,453

Note 9 Investment Income

	2002	2001
Restricted investment (loss) income on resources held for endowment	$ (4,658)	$ 37,113
Non-restricted investment income	12,734	116,416
Total investment income	8,076	153,529
Transfer from (to) deferred contribution	19,658	(15,503)
Amounts credited directly to endowment principal	-	(6,610)
	$ 27,734	$ 131,416

Note 10 Related Party Transactions

(a) The Institute received operating grants of $383.515 (2001 $349.670) from the University of Calgary. In addition, accommodation, basic office furnishings and certain other administrative and operating costs were borne by the University. These services are valued at $55,911 (2001 $55,911), and are included in donations and other grants, and materials, supplies and services in these financial statements.

(b) During the year, the Institute administered a number of grants on behalf of the University of Calgary. These grants totaling $22,000 (2001 $22,000) and related expenditures of $28,474 (2001 $16,936) are not reflected in these financial statements but are reported in the financial statements of the University.

Note 11 Salaries, Wages and Benefits

	2002				2001	
	Full-time Equivalents	Salaries and Wages[1]	Benefits[2]	Total	Full-time Equivalents	Total
Board of Directors[3]	10.00	$ -	$ -	$ -	10.00	$ -
Executive Director	1.00	76,247	11,831	88,078	0.80	64,771
Other staff (average 2002 $55,098 2001 $56,254)	7.46	358,396	52,638	411,034	7.07	397,715
Non salaried		22.638	2.711	25.349		38.379
		$ 457.281	$ 67.180	$ 524.461		$ 500.865

[1] Salaries and wages include regular base pay, overtime, honoraria and any other direct cash remuneration.

[2] Benefits include the employer's share of all employee benefits including health care, group life, dental, employment insurance, worker's compensation and pension plans.

[3] Board of Directors is the number of individuals on the board.

Note 12 Budget

The budget was approved by the Institute's Board of Directors on April 8, 2001.

Note 13 Future Removal and Site Renovations

The buildings that the Institute owns are located on leased land in the Yukon and Northwest Territories. The lease between the Government of Yukon and the Institute is for 96 hectares and expires August 31, 2002 at which time it is expected to be renewed. The lease of the land in the Northwest Territories is for approximately 10 hectares and expires April 30, 2008.

Under the terms of the lease agreement between the Institute and the Yukon Government, the Institute is required to remove any buildings placed on the land during the lease term. The lease agreement between the Crown and the Institute on the land in the Northwest Territories requires that the land be returned in a restored condition.

The cost to remove buildings and restore the land has not been recorded as the amount is not estimable at this time.

Note 14 Internally Restricted Net Assets

The Board of Directors has designated funds for specific purposes. These are for:

	2002	2001
Kluane Field Station refurbishment	$ 30,000	$ 30,000
Research Associate Development fund	8,026	10,000
Maintenance - Kluane Lake Research station	10,000	10,000
Publications	49,961	69,254
	$ 97,987	$ 119,254

Note 15 Funds Held on Behalf of Others

The Institute provides administrative support and holds certain funds on behalf of others. The balance as at March 31, 2002 is $34,491 (2001 - $18,882).

Note 16 Comparative Figures

Certain prior years figures were reclassified to conform to current year presentation.

Note 17 Approval of Financial Statements

These financial statements have been approved by the Board of Directors of the Institute.

THE ARCTIC INSTITUTE OF NORTH AMERICA

Schedule 1

ARCTIC JOURNAL

STATEMENT OF OPERATIONS FOR THE YEAR

MARCH 31, 2002

	2002	2001
Revenue:		
Grants	$ 8,950	$ 8,950
Memberships and subscriptions	79,398	76,935
Back issues, page charges and reprints	27,542	28,831
Special issue	22,500	-
Investment (loss) income	(2,462)	19,629
Total revenue	135,928	134,345
Expense:		
Production and distribution	78,522	77,668
Salaries and benefits	58,925	58,255
Office	4,449	4,247
Total expense before amortization	141,896	140,170
Amortization	1,271	1,271
Total expense	143,167	141,441
Deficiency of revenue over expense	$ (7,239)	$ (7,096)

The revenue and expense of the Arctic Journal are included as part of the revenue and expense on the Statement of Revenue and Expense.

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.

Financial Statements

For the year ended March 31, 2002

Auditor's Report

Financial Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Earnings and Retained Earnings
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements
- Consolidated Schedule of Licensing and Royalty Revenue
- Consolidated Schedule of Product Development Revenue
- Consolidated Schedule of Personnel Costs

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of University Technologies International Inc.

I have audited the consolidated balance sheet of the University Technologies International Inc. as at March 31, 2002 and the consolidated statements of earnings and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
May 10, 2002, except for Note 12 and Note 13,
which are as of August 9, 2002

University Technologies International Inc.

Consolidated Balance Sheet

As at March 31, 2002

	2002 $	2001 $
Assets		
Current assets		
Cash and cash equivalents	3,309,036	3,068,938
Accounts receivable	248,427	194,146
Investment tax credit receivable	-	31,227
Prepaid expense	7,936	7,094
Restricted cash and cash equivalents (note 4)	1,041,454	1,716,061
Income tax receivable	9,427	-
	4,616,280	5,017,466
Investments (note 5)	640,893	1,120,117
Furniture and equipment (note 6)	101,819	122,731
Intangible assets (note 7)	1,039,173	907,067
	6,398,165	7,167,381
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	684,274	821,911
Income tax payable	-	196,842
Deferred revenue	1,041,454	1,716,061
Deferred gain on issuance of shares by SemBioSys Genetics Inc. (note 5)	334,049	806,951
Current portion of long-term debt (note 8)	-	16,016
	2,059,777	3,557,781
Long-term debt (note 8)	234,478	240,587
Patronage payment obligation (note 12)	363,909	-
Minority interest in subsidiary companies	245,724	239,063
	2,903,888	4,037,431
Shareholder's Equity		
Capital stock (note 13)	1	1
Contributed surplus	1,974,197	1,974,197
Retained earnings	1,520,079	1,155,752
	3,494,277	3,129,950
	6,398,165	7,167,381

Contingencies and commitments (note 14)

Approved by the Board of Directors

Director

Director

University Technologies International Inc.

Consolidated Statement of Earnings and Retained Earnings

For the year ended March 31, 2002

	2002		2001
	Budget $	**Actual** $	**Actual** $
Revenue			
Net licensing and royalty revenue (schedule 1)	786,420	777,924	1,051,386
Client contract revenue	75,000	75,000	75,714
Net product development revenue (schedule 2)	44,930	204,419	177,230
Other	1,600	750	1,189
	907,950	1,058,093	1,305,519
Expenses			
Personnel (schedule 3)	1,013,000	1,161,941	1,124,450
Operating	579,932	390,773	526,983
Amortization	231,678	244,405	228,715
Donations	1,200	1,550	301,600
Write down of patents	50,000	151,632	243,942
Other	455,960	253,899	175,452
	2,331,770	2,204,200	2,601,142
Expense reimbursements (note 11)	(1,509,910)	(1,886,760)	(1,079,758)
	821,860	317,440	1,521,384
Income (loss) before the following	86,090	740,653	(215,865)
Investment income	-	102,226	265,541
Gain on sale of equity	-	86,954	533,925
Gain on sale of shares	-	-	171,382
Share of loss of investment costs	-	(19,953)	(2,932)
Share of loss of SemBioSys Genetics Inc. (note 5)	-	(472,902)	(384,683)
Recognized gain on issuance of SemBioSys Genetics Inc.'s shares (note 5)	-	472,902	384,683
Interest income	102,000	114,829	238,851
Foreign exchange (loss) gain	(12,000)	3,342	(15,902)
Gain on disposal of property and equipment	-	2,275	900
Write down of deferred project costs	-	-	(20,170)
Write down of investment	-	(71,429)	-
	90,000	218,244	1,171,595
Earnings before income taxes and patronage dividends	176,090	958,897	955,730
Patronage payment (note 12)	-	363,909	-
Earnings before income taxes	176,090	594,988	955,730
Provision for income taxes			
Current	65,481	224,000	390,541
Earnings before minority interest	110,609	370,988	565,189
Minority interest in earnings of subsidiary companies		(6,661)	(59,740)
Net earnings for the year		364,327	505,449
Retained earnings – Beginning of year		1,155,752	650,303
Retained earnings – End of year		1,520,079	1,155,752

University Technologies International Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2002

	2002 $	2001 $
Cash provided by (used in)		
Operating activities		
Net earnings for the year	364,327	505,449
Credits to earnings not involving cash	439,405	(457,636)
Patronage payment (note 12)	363,909	-
	1,167,641	47,813
Net change in non-cash working capital balances related to operations (note 17)	(367,802)	558,023
	799,839	605,836
Investing activities		
Purchases of furniture, equipment, and intangibles	(649,243)	(898,072)
Proceeds on disposal of furniture, equipment and intangibles, including patent cost recoveries	139,737	646,702
Purchase of interest in equity	(122,589)	-
Proceeds on sale of equity	124,479	533,925
Proceeds on sales of shares	-	171,840
Advance to E-Volve (note 10)	(30,000)	-
	(537,616)	454,395
Financing activities		
Debt repayment	(22,125)	-
Increase in unrestricted cash and cash equivalents for the year	240,098	1,060,231
Unrestricted cash and cash equivalents – Beginning of year	3,068,938	2,008,707
Unrestricted cash and cash equivalents – End of year	3,309,036	3,068,938

1 Operations

University Technologies International Inc. ("UTI" or the "company") is a profit-oriented licensing, commercialization, and intellectual property management company which is wholly owned by the University of Calgary.

2 Significant accounting policies

Consolidation

The financial statements are prepared on a consolidated basis and include the accounts of the company, its wholly owned subsidiary University Technologies International Venture Management Inc., and its 51% owned subsidiaries NeuroSpheres Ltd. ("NeuroSpheres" (note 3)) and NeuroSpheres Holdings Ltd. ("NHL").

Revenue recognition

Licensing and client contract revenues are recognized when persuasive evidence of an arrangement exists, collection of the fee is probable and there are no future obligations for performance.

Royalty revenues are recognized when earned based on product sales reported by licensees.

Product development revenues are deferred and recognized as related product development expenses are incurred and include overhead recoveries.

Investments in significantly influenced companies

The company accounts for its investments in AB Biopharma Inc., ACT Pharma Inc., E-Volve Inc. ("E-Volve"), and SemBioSys Genetics Inc. ("SemBioSys"), entities over which the company has significant influence, by the equity method. Under the equity method, the company's investments are recorded initially at cost, increased by the net earnings of the investee entity, decreased by net losses of the investee entity, and decreased by dividends received from the investee entity and adjustments required to recognize other changes in the company's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

Long-term investments, including marketable equity securities, are accounted for at cost unless it is assessed there has been an other than temporary decline in value.

Furniture, equipment, and intangible assets

Amortization is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Office furniture and artwork	10 to 15 years
Office equipment	3 years
Computer hardware	2 years
Leasehold improvements	Term of lease
Computer software	3 years

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Investment tax credits

Investment tax credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Income taxes

In the current year, the company adopted the liability method of income tax allocation. Under this method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets. The adoption of this method had no effect to the 2001 financial statements.

Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are translated at monthly average rates prevailing throughout the period, except for amortization which is translated at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of earnings and retained earnings.

Government assistance

Government assistance related to current expenses is recorded as a reduction of expenses when the related expenditures are incurred. Government assistance related to capital expenditures is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures that grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for recoverability of patent costs and investment valuations.

Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities which mature within three months or less of the date of purchase. Cash and cash equivalents are held with highly rated financial institutions.

3 NeuroSpheres Ltd.

NeuroSpheres was incorporated on November 5, 1992 and commenced operations in December 1992. NeuroSpheres' main objective is the preparation, prosecution and maintenance of patents, and licensing of the company's technology, related to the neural stem cell technology.

Summary financial information from NeuroSpheres is as follows:

	2002 **$**	**2001** **$**
Cash and cash equivalents	451,168	489,870
Accounts receivable	-	1,141
	451,168	491,011
Investments	206,401	243,929
Capital assets (patents)	72,723	100,352
	730,292	835,292
Accounts payable and accrued liabilities	2,305	16,998
Income taxes payable	-	88,000
Current portion of long-term debt	-	16,016
	2,305	121,014
Long-term debt	234,101	233,984
	236,406	354,998
Capital stock	9,799	9,799
Contributed surplus	143,554	143,554
Retained earnings	340,533	326,941
	493,886	480,294
	730,292	835,292

	2002 $	2001 $
Revenue	16,016	325,030
Expenses		
Operating	17,955	102,003
Amortization	27,380	16,977
	45,335	118,980
(Loss) earnings before the following	(29,319)	206,050
Interest income	7,574	3,868
(Loss) earnings before income taxes	(21,745)	209,918
Current income tax (recovery) expense	(35,337)	88,000
Net earnings for the year	13,592	121,918

4 Restricted cash and cash equivalents

Certain cash and cash equivalents balances amounting to $1,041,454 (2001 - $1,716,061) are not available to pay ordinary operating expenses of the company.

- $291,454 (2001 – $295,061) is held to pay for research and development expenses as provided by the terms of the agreements between the company and firms sponsoring such activities.
- $nil (2001 – $671,000) is held to pay for costs associated with the start up of a new ventures unit as provided by the terms of an Economic Development and Trade grant.
- $750,000 (2001 – $750,000) is held to pay for costs associated with technology, commercialization and new enterprise development as provided by the terms of a Government of Alberta grant received during the year.

5 Investments

	2002 $	2001 $
SemBioSys (31.94%) of the issued and outstanding capital stock)[1]		
Equity investment at beginning of year	791,946	1,176,629
Share of loss of SemBioSys	(472,902)	(384,683)
	319,044	791,946
E-Volve (40.2%) of the issued and outstanding capital stock)		
Equity investment at beginning of year	19,980	22,912
Share of loss of E-Volve[2]	(19,980)	(2,932)
	-	19,980
AB Biopharma Inc. (49.99% (2001 – nil)) of the issued and outstanding capital stock)		
Equity investment at beginning of year	-	-
Investment in current year	49	-
	49	-
ACT Pharma (49.99% (2001 – nil)) of the issued and outstanding capital stock)		
Equity investment at beginning of year	-	-
Investment in current year	49	-
Share of income	27	-
	76	-
Other investments at cost		
Wi-Lan Inc.	1	1
Cell-Loc Inc.	1,259	1,259
Synsorb Inc.	-	1
SalPep Inc.	1	1
StemCells Inc.	206,402	243,929
Sonexis, Inc. (formerly eYaK, Inc.)	63,000	63,000
Oncolytics Biotech Inc.	51,060	-
Quorex Pharmaceuticals, Inc.[3]	1	-
	321,724	308,191
	640,893	1,120,117

[1] Investment in SemBioSys as of December 31, 2001.

[2] UTI share of E-Volve losses for 2002 was $21,308, of which $1,324 was in excess of the investment and not recognized in 2002.

[3] Investment in Quorex Pharmaceuticals, Inc. ("Quorex") related to a non-monetary exchange of shares in Quorex for a license. The fair value of transaction was minimal at the exchange date.

Other investments at market

Shares held in public companies and their related market values at the year-end were as follows:

	2002		2001	
	Number of shares	Market value $	Number of shares	Market value $
Wi-Lan Inc.	21,000	64,260	21,000	116,550
Cell-Loc Inc.	11,000	20,240	11,000	18,870
Synsorb Inc.	-	-	77,399	106,811
StemCells Inc. (U.S. $)	55,000	113,300	65,000	175,500
Oncolytics Biotech Inc.	13,800	51,060	-	-

The stock price of StemCells Inc. is volatile and the decline is considered temporary. Oncolytics Biotech Inc. has been written down to market value at March 31, 2002.

SemBioSys

The company accounts for its investment in SemBioSys using the equity method. The issuance of shares by SemBioSys has resulted in a gain in the company's financial statements of $334,049 (2001 – $806,951), all of which has been deferred and is being recognized as SemBioSys incurs expenditures funded by the proceeds of the share issuances. The gain represents the company's proportionate share of the proceeds less the nominal carrying value of the percentage reduction in its ownership of SemBioSys, and results in an increase in the carrying value of the investment.

During the year $472,902 (2001 – $384,683) of the deferred gain was recognized into income representing the company's equity share of the SemBioSys loss for the year. The SemBioSys loss resulted from expenditures funded by the proceeds of the share issuances described previously.

E-Volve

Subject to a Shareholders' Agreement effective July 20, 1999, UTI lost its controlling interest in E-Volve and commenced accounting for its investment using the equity method. As a result, the cost of the investment is equal to the original cash investment in 1999, the additional cash investment in 2000 and the equity share of E-Volve's loss since UTI's investment.

6 Furniture and equipment

			2002
	Cost $	**Accumulated amortization $**	**Net $**
Artwork	3,240	198	3,042
Office equipment	53,908	42,761	11,147
Office furniture	72,466	31,981	40,485
Computer hardware	91,996	65,312	26,684
Leasehold improvements	28,550	8,089	20,461
	250,160	148,341	101,819

			2001
	Cost $	**Accumulated amortization $**	**Net $**
Office equipment	59,306	44,471	14,835
Office furniture	71,237	24,817	46,420
Computer hardware	98,761	63,456	35,305
Leasehold improvements	28,550	2,379	26,171
	257,854	135,123	122,731

7 Intangible assets

			2002
	Cost $	**Accumulated amortization $**	**Net $**
Computer software	42,845	35,791	7,054
Patents	1,850,440	818,321	1,032,119
	1,893,285	854,112	1,039,173

			2001
	Cost $	**Accumulated amortization $**	**Net $**
Computer software	64,641	60,455	4,186
Patents	1,565,600	662,719	902,881
	1,630,241	723,174	907,067

During the year, patents with a net book value of $151,632 (2001 – $243,942) were written off.

8 Long-term debt

At March 31, 2002, the company's long-term debt included $234,101 advances to NeuroSpheres by the Alberta Heritage Foundation for Medical Research (AHFMR) in accordance with an agreement dated November 3, 1993. The debt is non-interest bearing and repayment is contingent upon NeuroSpheres' ability to generate gross sales of product and services. As sales are generated, the lesser of $100,000 and 5% of gross sales is to be paid to AHFMR on an annual basis until the principal debt of $234,101 plus an additional royalty of $250,000 is paid to AHFMR.

AHFMR has the option to convert the outstanding obligation including the debt of $234,101 plus the contingent royalty liability of $250,000 into an equity interest in NeuroSpheres equal to 2.5% of all issued and outstanding shares at the time the option is exercised.

The remainder of long-term accounts payable are non-interest bearing and are payable out of future royalties received on certain projects.

9 Income taxes

The company has assets with a cost basis for tax purposes that exceed their carrying value in the financial statements by $202,000 (2001 – $876,908) which may be used to reduce taxable income in future years.

The company has unutilized investment tax credits of $43,580 (2001 – $106,344) which may be carried forward to reduce federal income taxes payable in future years.

The potential future tax benefits relating to the above items have not been recognized in these financial statements.

10 Related party transactions

During the year, the company and its subsidiaries were involved in the following transactions with the company's parent, the University of Calgary:

	2002 **$**	**2001** **$**
Client contract revenue	75,000	75,000
Overhead revenue	-	9,952
Product development expense	353,010	217,916
Other services included in operating expense	5,797	2,194
Royalty payments	48,395	73,505
Other revenue	17,953	1,225
Donation to the University	1,400	300,000
Production costs	90,424	63,335

At March 31, 2002, accounts payable included $46,215 (2001 – $38,160) owing to the University of Calgary. These transactions were entered into with the same terms as non-related parties and are recorded at their fair value amounts.

During the year, UTI also had business transactions with an organization subject to common control. These transactions were entered into with the same terms as non-related parties and are recorded at these fair value amounts. The revenues and expenses relating to these transactions have been included in the consolidated statement of earnings and retained earnings, but have not been separately quantified.

During the year, $30,000 was advanced to E-Volve an organization subject to common control. The balance was written off during the year.

11 Expense reimbursements

Expense reimbursements consists of:

	2002 **$**	**2001** **$**
Government assistance		
Government of Alberta	1,459,417	981,170
Government of Canada	387,626	43,683
	1,847,043	1,024,853
Other reimbursements	39,717	54,905
	1,886,760	1,079,758

12 Patronage payment obligation

Subsequent to March 31, 2002, the company entered into an agreement with the University of Calgary, its shareholder, that provides for the payment of patronage allocations to the University. The agreement is effective April 1, 2001 and the Board of Directors of the company has approved a patronage allocation of $363,909 for the year ended March 31, 2002. Under the agreement, all patronage payment obligations will be settled through the issuance of Class "B" Preferred Shares, a new class of shares created subsequent to March 31, 2002. Since the obligation as of March 31, 2002 ultimately will be settled with preferred shares, not cash or current assets, it has been classified on the balance sheet as a long-term liability.

13 Share capital

Authorized
Unlimited number of common shares

As discussed in note 12, a new class of shares, Class "B" Preferred Shares, was created subsequent to March 31, 2002. Effective August 9, 2002, the company may issue an unlimited number of Class "B" Preferred Shares. The new class of voting preferred shares are redeemable at the company's option and are entitled to a non-cumulative dividend, when and if declared by the company, of up to 15% per annum.

14 Contingencies and commitments

The company is committed to the following minimum operating lease payments over the next five years under the terms of premises leases:

	$
Year ending March 31, 2003	97,877
2004	97,877
2005	97,877
2006	73,408
2007	-

The company received $200,000 in 1995 from Alberta Economic Development and Tourism for the research and development of certain projects. Repayment of the $200,000 is contingent upon the projects generating royalty income and is calculated as 5% of royalties received on the projects during any year. Payments commenced in 1999 and will end in 2006. To March 31, 2002, the company has repaid $104,324.

15 Budget

The budget was approved by the Board of Directors on March 28, 2001.

16 Financial instruments

The fair value of monetary assets and liabilities except long-term debt, is not considered to be materially different from their stated values, due to the relatively short period to maturity of all significant balances. The long-term debt balance relating to AHFMR does not currently have fixed repayment terms, therefore it is not possible to determine fair value of this financial instrument at March 31, 2002. Financial derivative instruments are not used by the company.

Credit and foreign currency risk

The company is not exposed to significant credit risk as it sells mainly to a diverse group of established distributors and users. Foreign currency risk is not considered to be significant as the majority of the company's sales are in Canadian dollars.

17 Supplementary cash flow information

The net changes in non-cash working capital balances related to operations consists of:

	2002 **$**	**2001** **$**
Accounts receivable	(54,281)	287,756
Investment tax credit receivable	31,227	56,615
Prepaid expense	(842)	(2,036)
Decrease in restricted cash	674,607	266,291
Income tax receivable	(9,427)	-
Accounts payable and accrued liabilities	(137,637)	42,584
Income tax payable	(196,842)	173,103
Deferred revenue	(674,607)	(266,290)
	(367,802)	558,023

University Technologies International Inc.

Schedule 1

Consolidated Schedule of Licensing and Royalty Revenue

For the year ended March 31, 2002

	2002		2001
	Budget **$**	**Actual** **$**	**Actual** **$**
Gross revenue from licensing and royalty agreements	2,258,000	1,705,153	2,028,563
Distribution to other parties under licensing and royalty agreements			
Inventors	1,281,107	892,870	764,902
Client institutions	190,473	34,359	212,275
	1,471,580	927,229	977,177
Net licensing and royalty revenue	786,420	777,924	1,051,386

University Technologies International Inc.

Schedule 2

Consolidated Schedule of Product Development Revenue

For the year ended March 31, 2002

	2002		2001
	Budget **$**	**Actual** **$**	**Actual** **$**
Revenue earned under product development agreements	310,600	492,999	301,573
Product development expense	265,670	445,010	261,427
Investment tax credits	-	(156,430)	(137,084)
	265,670	288,580	124,343
Net product development revenue	44,930	204,419	177,230

University Technologies International Inc.

Schedule 3

Consolidated Schedule of Personnel Costs

For the year ended March 31, 2002

	2002					2001	
	Number of individuals	**Salary(1)** **$**	**Bonus** **$**	**Benefits and allowances(2)** **$**	**Total** **$**	**Number of individuals**	**Total** **$**
Chairman	1	36,000	-	-	36,000	1	33,000
Other directors	13	-	-	-	-	13	-
Senior employees							
President(3)	1	142,000	101,330	12,918	256,248	1	257,625
Vice President	1	105,250	42,080	11,926	159,256	1	149,061

(1)Salary includes regular base pay.

(2)Benefits and allowances includes company's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, and pension.

(3)President's salary for fiscal 2001 includes salary expenses related to UTI's previous president.

OLYMPIC OVAL/ANNEAU OLYMPIQUE

Financial Statements

For the year ended March 31, 2002

Auditor's Report

Financial Statements:

- Statement of Base Operating Costs and Revenue
- Statement of Expenditures Incurred in Providing Programming for High Performance Athletes and Fund Balance
- Statement of Revenue and Expense for the Coaching Services Program
- Statement of Reserves
- Notes to the Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the University of Calgary and to the Board of Directors of Calgary Olympic Development Association

I have audited the statement of base operating costs and revenue of Olympic Oval/Anneau Olympique and the statement of expenditures incurred in providing programming for high performance athletes and fund balance and the statement of revenue and expense for the coaching services program, and the statement of reserves for the year ended March 31, 2002 in accordance with Article 7.01a of the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my opinion, these financial statements present fairly, in all material respects the revenues, expenditures and reserves of Olympic Oval/Anneau Olympic for the year ended March 31, 2002 in accordance with Article 7.01a of the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
May 31, 2002

Olympic Oval/Anneau Olympique
Statement of Base Operating Costs and Revenue
For the year ended March 31, 2002

	2002 \$ Budget (Note 7)	2002 \$ Actual	2001 \$ Actual
Base Operating Costs (Note 2)			
Salaries and benefits	1,573,326	1,562,180	1,492,566
Utilities and maintenance	1,450,000	1,310,471	842,819
Supplies and advertising	230,000	179,937	209,099
Central administration support	34,000	32,445	32,445
Purchased services	150,000	141,184	99,145
Telecommunications and postage	40,000	35,727	31,866
Travel and hosting	40,000	80,607	84,173
Insurance	12,000	12,421	8,676
Legal and audit	12,000	23,810	8,140
	3,541,326	3,378,782	2,808,929
Vacation pay not funded (Note 2)		(16,529)	15,376
Gross Revenue (Note 2)	(375,000)	(456,036)	(439,904)
Net base operating costs	3,166,326	2,906,217	2,384,401
Coaching services program deficiency of revenue over expense	130,000	99,899	179,968
High performance programming	100,000	100,000	100,000
Operating costs to be funded	3,396,326	3,106,116	2,664,369
Funded by:			
University of Calgary (Note 3)	1,198,775	1,076,039	965,678
Calgary Olympic Development Association (Note 3)	2,197,551	2,030,077	1,698,691
	3,396,326	3,106,116	2,664,369

The accompanying notes are part of these statements

Olympic Oval/Anneau Olympique
Statement of Expenditures incurred in providing programming
for high performance athletes and fund balance
For the year March 31, 2002

	2002 $	2001 $
Funds available at beginning of year	165,145	146,330
Prior year expenditure refunds	1,874	2,528
	167,019	148,858
Less expenditures		
Athlete support services	15,000	15,000
Transfer to coaching services program	30,000	30,000
Research funding	7,381	20,455
Research salaries and benefits	33,211	2,573
Research equipment and supplies	23,073	15,685
	108,665	83,713
Add University of Calgary allocation of revenues earned for high performance athletes programming	100,000	100,000
Funds available at end of year for expenditure on high performance athletes programming	158,354	165,145

Olympic Oval/Anneau Olympique
Statement of Revenue and Expense
For the Coaching Services Program
For the year ended March 31, 2002

	2002			2001		
	Other Programming $	High Performance Athletes $	Total $	Other Programming $	High Performance Athletes $	Total $
Revenue:						
Grants and sponsorships	94,760	438,035	532,795	136,500	432,100	568,600
Camps and competitions	142,940	85,238	228,178	161,128	116,346	277,474
Coaching and other fees	225,618	375,347	600,965	76,509	395,937	472,446
General	53,776	-	53,776	50,262	-	50,262
Transfer from programming for high performance athletes	-	30,000	30,000	-	30,000	30,000
	517,094	928,620	1,445,714	424,399	974,383	1,398,782
Expense:						
Coaching salaries, benefits	206,340	939,915	1,146,255	312,254	828,165	1,140,419
Specialist sport services	61,738	86,493	148,231	64,574	57,021	121,595
Travel, camps, competitions	61,238	71,567	132,805	40,872	168,396	209,268
Advertising	900	3,107	4,007	110	295	405
Supplies	33,472	52,406	85,878	28,043	24,223	52,266
Meeting expense	1,163	22,323	23,486	3,342	22,614	25,956
Bursaries	-	14,756	14,756	-	17,810	17,810
Rentals and leases	1,961	426	2,387	1,713	1,746	3,459
Memberships	-	46	46	-	4,500	4,500
Other	734	-	734	206	-	206
	367,546	1,191,039	1,558,585	451,114	1,124,770	1,575,884
Excess (deficiency) of revenue over expense	149,548	(262,419)	(112,871)	(26,715)	(150,387)	(177,102)
Vacation pay not funded (Note 2)	2,515	10,457	12,972	2,010	(4,876)	(2,866)
Excess (deficiency) of revenue over expense – net to be funded	152,063	(251,962)	(99,899)	(24,705)	(155,263)	(179,968)

Olympic Oval/Anneau Olympique
Statement of Reserves
For the year ended March 31, 2002

	Building Reserve		Special Equipment Reserve		New Equipment Reserve	
	2002	2001	2002	2001	2002	2001
	$	$	$	$	$	$
Capital renewal provision	162,356	119,021	195,780	154,946	-	-
Interest	42,219	67,445	14,770	23,532	6,637	12,857
	204,575	186,466	210,550	178,478	6,637	12,857
Capital expenditures	904,823	165,487	400,683	536,585	5,017	-
Less funded by CODA	603,215	110,325	267,122	357,723	-	-
	301,608	55,162	133,561	178,862	5,017	-
Increase (decrease) in reserve for the year	(97,033)	131,304	76,989	(384)	1,620	12,857
Reserve balance at beginning of year	1,268,090	1,136,786	378,370	378,754	189,594	176,737
Reserve balance at end of year (Note 5)	1,171,057	1,268,090	455,359	378,370	191,214	189,594

Olympic Oval/Anneau Olympique
Notes to the Statements
March 31, 2002

1 Purpose

The Olympic Oval/Anneau Olympique ("the Oval") was constructed by the University of Calgary (the "University") to serve as the speed skating venue for the 1988 Olympic Winter Games, with capital funding provided entirely by the Government of Canada. It is now operated as a legacy of the Games for the benefit of high performance athletes, the general public, and students and researchers of the University.

The Oval is operated by the University under the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995, (the Agreements), between the University, the Government of Canada and the Calgary Olympic Development Association ("CODA").

The purpose of the Oval as defined in the Oval Long-term Operating Agreement is to:

- recruit, train and coach High Performance Athletes;
- provide the University with a teaching, training, coaching, research, competition, and recreation facility;
- assist National and Provincial sport associations with their programs for high performance athletes at the Oval;
- assist the University and CODA related sports clubs to recruit, train, coach and compete in high performance sports utilizing the Oval;
- make the Oval available for international, national and regional games, competitions and athletic events; and
- provide the Oval as an accessible sports and recreation facility.

2 Significant Accounting Policies and Reporting Practices

These statements have been prepared in accordance with the requirements of the Agreements.

The following definitions apply:

a) Base Operating Costs

Base operating costs are the aggregate of annual costs and expenses directly applicable to the maintenance, management and operation of the Oval, but exclude the costs of Programming and Capital Renewal Cost. Capital Renewal Cost is expenditures incurred for the repair, upgrading and replacement of Building, Building Equipment and Special Equipment.

b) Gross Revenue

Gross revenue is defined as revenue received from use of the Oval including, without limitation, user fees, concessions, billboard advertising, scoreboard advertising, pro-shop(s), locker rentals, building tours, souvenirs, sponsorships, TV rights, and radio rights except where gross revenues are directly linked to programming or other obligations where those gross revenues have an associated expenditure requirement, then only the net revenue is included.

c) Funding

The University of Calgary funds one-third of the base operating costs. One-third of the gross revenue is retained by the University. Of this amount, $100,000 is transferred to fund high performance athletes. Where one-third of the gross revenue is in excess of $100,000, the remainder is used to offset the University's share of the base operating costs.

The Calgary Olympic Development Association funds two-thirds of the base operating costs less two-thirds of the gross revenue of the Oval.

Vacation pay is recorded at year end on the accrual basis but is not funded until the vacation time is utilized.

2 Significant Accounting Policies and Reporting Practices (continued)

d) High Performance Programming

High performance programming includes the revenue and expenses that are incurred to support nationally carded athletes and those athletes at a developmental level whose training is geared to becoming such an athlete. High performance programming includes the staging of international and national competitions.

e) Other Programming

Other programming includes the revenue and expenses that are incurred to support developmental athletes and includes all developmental camps and competitions. Other programming also includes the revenue and expenses for the Olympic Oval Cycling Program.

3 Allocation of Costs

In 2000 CODA agreed with the Olympic Oval that it would not fund the Cycling Program effective in the 2001 fiscal year. Included in the total Coaching Services Program deficiency of revenue over expense of $99,899 (2001 - $179,968) is $38,999 of revenue over expenditures (2001 – deficiency $16,332) for the Cycling Program. The net revenue (deficiency) for this program is allocated 100% to the University of Calgary.

The $138,898 (2001 - $163,636) Coaching Services Program deficiency net of the Cycling Program is funded one-third by the University and two-thirds by CODA.

3 Allocation of Costs (continued)

Funding has been calculated as follows:

University of Calgary	2002 $	Share	2002 Funding $	2001 $	2001 Funding $
Net base operating costs	2,906,217	1/3	968,739	2,384,401	794,800
Coaching services program deficiency	138,898	1/3	46,299	163,636	54,546
Cycling program (revenue) deficiency	(38,999)	100%	(38,999)	16,332	16,332
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	100%	100,000	100,000	100,000
	3,106,116		1,076,039	2,664,369	965,678

CODA	2002 $	Share	2002 Funding $	2001 $	2001 Funding $
Net base operating costs	2,906,217	2/3	1,937,478	2,384,401	1,589,601
Coaching services program deficiency	138,898	2/3	92,599	163,636	109,090
Cycling program (revenue) deficiency	(38,999)	0%	-	16,332	-
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	0%	-	100,000	-
	3,106,116		2,030,077	2,664,369	1,698,691

4 High Performance Programming and Fund Balance

One-third of the gross revenue of the Oval is retained by the University, from which $100,000 is allocated for Programming of High Performance Athletes. If the one-third of the gross revenue is less than $100,000, the University may limit the allocation to one-third of the gross revenue. These funding arrangements are in accordance with the Agreements.

During the year, $30,000 was transferred from the high performance fund to the coaching services program for coaching high performance athletes, and is included in the statement of revenue and expense for the coaching services program. Amounts are also granted for research.

The unexpended portion of the funds is held in an account by the University of Calgary for the Oval.

5 Reserves

Under the terms of the Agreements a Building Reserve and a Special Equipment Reserve were established. The University is required to contribute one-third of the Capital Renewal Provisions, which are defined as follows:

Building Reserve

- A reserve established to fund expenditures for repair, upgrading and replacement of Building and Building Equipment by an annual provision of $370,000 subject to adjustment by agreement of the parties escalated annually in proportion to the increase in the Construction Price Index, the aggregate of which cannot exceed $3,000,000 escalated annually in proportion to the increase in the Construction Price Index.

Special Equipment Reserve

- A reserve established to fund expenditures for repair, upgrading and replacement of Special Equipment by an annual provision calculated by Calgary Olympic Development Association and the University to maintain a reserve balance of not less than $1,000,000 expressed in 1989-90 dollars, subject to adjustment by agreement of the parties escalated annually in proportion to the Construction Price Index.

The Non-residential Building Construction Price Index for Calgary is used to calculate the annual adjustment required under the Agreements for both reserves. The increase in the index from the prior year is applied to the annual provision for the Building Reserve. The increase in the index is also applied to the 1995-96 value for the Special Equipment Reserve to determine the minimum reserve balance required.

All capital renewal costs are initially paid for by the Oval. The Calgary Olympic Development Association reimburses the Oval for two-thirds of all capital renewal costs. One-third of the costs are funded by the University.

The University's share of the reserve balances are held by the University of Calgary.

New Equipment Reserve

A separate reserve for the funding of new equipment was also established from the proceeds of the sale of the Oval artificial turf. The University holds this reserve and there is no funding requirement for new equipment reserve.

6 Coaching Services Program

The coaching services program includes revenue earned and expense incurred in providing programming to both high performance and other athletes. Revenue and expenses under this program are classified as high performance when they have been received or incurred to support nationally carded athletes including those that may be at a developmental level. Revenue and expenses incurred to support other athletes have been classified as other programming on the statement of revenue and expense for the coaching services program.

7 Budget

The 2002 base operating budget was approved by the Olympic Endowment Fund Allocations Committee on April 23, 2001.

8 Comparative Figures

Certain comparative figures have been reclassified to conform to the current year presentation.

9 Approval of Statements

These statements were approved by management.

UNIVERSITY OF LETHBRIDGE

FINANCIAL STATEMENTS

MARCH 31, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Statement of Changes in Net Assets

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Lethbridge

I have audited the statement of financial position of The University of Lethbridge as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Fred Dunn CA
Auditor General

Edmonton, Alberta
May 17, 2002

The University of Lethbridge

STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2002	2001 (As restated - Note 22)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,033	10,072
Accounts receivable	4,610	3,907
Inventories	676	490
Prepaid expenses	418	432
	9,737	14,901
DEPOSIT ON CAPITAL ASSET	-	550
INVESTMENTS (Notes 3, 4)	56,675	52,417
CAPITAL ASSETS (Note 5)	137,336	124,862
COLLECTION (Note 6)	32,424	31,543
	$ 236,172	224,273
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 5,008	3,786
Accrued payroll liabilities	3,018	2,499
Deferred revenue	881	1,021
Deferred tuition fees	2,112	1,601
Deferred contributions (Note 8)	6,248	10,978
Current portion of long term liabilities	1,796	1,756
	19,063	21,641
LONG TERM LIABILITIES		
Accounts payable - construction projects	151	5,664
Long term debt (Note 9)	9,746	6,997
Unfunded staff benefits (Note 10)	4,096	4,721
Deferred capital contributions (Note 11)	6,577	6,833
	20,570	24,215
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 12)	93,346	85,189
NET ASSETS		
Investment in capital assets and collection	66,504	63,951
Endowments (Note 13)	10,224	9,585
Internally restricted net assets (Note 14)	9,953	10,263
Unrestricted net assets	16,512	9,429
	103,193	93,228
Commitments and Contingencies (Note 21)		
	$ 236,172	224,273

The accompanying notes are part of these financial statements.

The University of Lethbridge

STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

		2002	2001 (As restated - Note 22)
REVENUE			
Grants	$	51,677	40,419
Tuition and related fees		24,198	23,037
Sales of services and products		9,394	8,024
Miscellaneous		2,197	2,064
Investment income (Note 15)		2,747	3,574
Gifts and donations		504	937
Amortization of deferred capital contributions (Note 12)		5,086	4,564
		95,803	82,619
EXPENSE			
Salaries (Note 16)		47,318	43,022
Employee benefits (Notes 16, 17)		8,359	7,507
Scholarships, fellowships and bursaries		2,150	1,436
Supplies and services		6,560	4,734
Cost of goods sold		2,908	2,584
Travel		2,506	2,202
Utilities		2,472	2,117
External contracted services		1,703	1,791
Repairs and maintenance		1,998	508
Professional fees		638	549
Interest on long term liabilities		724	421
Insurance		180	155
Property taxes		155	141
Loss on disposal of capital assets		61	15
Amortization of capital assets		9,526	8,483
		87,258	75,665
EXCESS OF REVENUE OVER EXPENSE	$	8,545	6,954

The University of Lethbridge

STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

		2002	2001 (As restated - Note 22)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Excess of revenue over expense	$	8,545	6,954
Non-cash transactions			
Amortization of deferred capital contributions		(5,086)	(4,564)
Amortization of capital assets		9,526	8,483
Loss on disposal of capital assets		61	15
Decrease in unfunded staff benefits		(481)	(194)
		12,565	10,694
Increase (decrease) in non-cash operating working capital (Note 7)		(3,493)	2,981
		9,072	13,675
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:			
Deposit on capital asset		550	(550)
Purchase of investments (net)		(4,258)	(571)
Capital asset additions			
Internally funded		(5,959)	(6,822)
Externally funded		(13,243)	(17,745)
Financing		(2,900)	(7,100)
Collection additions		(881)	(1,538)
Proceeds on disposal of capital assets		41	140
		(26,650)	(34,186)
Increase (decrease) in construction accounts payable		(5,513)	4,487
		(32,163)	(29,699)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Capital contributions received		13,868	13,380
Endowment contributions received		272	120
Capitalized investment earnings		267	312
Long term debt proceeds		2,900	7,100
Long term debt repayments		(255)	(204)
		17,052	20,708
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,039)	4,684
CASH AND CASH EQUIVALENTS, beginning of year		10,072	5,388
CASH AND CASH EQUIVALENTS, end of year	$	4,033	10,072

The University of Lethbridge

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31

(thousands of dollars)

		2002					2001
		Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year							
As previously reported	$	63,951	9,585	10,263	8,951	92,750	83,794
Prior period adjustment (note 22)					478	478	510
As restated		63,951	9,585	10,263	9,429	93,228	84,304
Excess of revenue over expense		-	-	-	8,545	8,545	6,954
Direct increases to net assets:							
Non-amortizable collection donations (Note 6)		856	-	-	-	856	1,506
Non-amortizable collection acquisitions (Note 6)		25	-	-	-	25	32
Endowment contributions			272	-	-	272	120
Capitalized investment earnings			267			267	312
Transfers:							
Internally funded:							
Capital asset additions		5,959	-	-	(5,959)	-	-
Net book value of capital asset disposals		(85)	-	-	85	-	-
Amortization		(4,457)	-	-	4,457	-	-
Repayment of long term debt		255	-	-	(255)	-	-
Transfer to Endowments		-	100	-	(100)	-	-
						-	
						-	-
Allocation from internally restricted net assets		-	-	(310)	310	-	-
BALANCE, end of year	$	66,504	10,224	9,953	16,512	103,193	93,228

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2002

(thousands of dollars)

Note 1 Authority and Purpose

The University of Lethbridge (the "University") operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta 2000 as amended. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practice

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts are calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary impairment in the value of the investment.

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years
Buildings - Exterior	40 years
Buildings - Interior	20 years
Leasehold improvements	15 years
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Pension Plan

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the Universities Academic Pension Plan and the Public Service Pension Plan. The University's portion of the pension plans' deficit or surplus is not recorded by the University.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

Note 3 Investments

	2002				2001			
	Cost	Market Value	Realized Return	Market Return	Cost	Market Value	Realized Return	Market Return
Cash and short term deposits	$ 7,107	$ 7,109	2.69%	3.60%	$ 5,613	$ 5,642	5.25%	7.50%
Bonds and debentures	22,338	22,108	5.63%	5.20%	22,626	22,695	7.22%	9.70%
Stocks	27,053	33,585	4.28%	11.26%	24,081	29,041	8.20%	15.01%
Other investments	177	177			97	97		
	$ 56,675	$ 62,979			$ 52,417	$ 57,475		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments.
Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

Foreign exchange gains of $123 were realized during the year (2001: $42). As of March 31 net unrealized exchange gains totalled $1,207 (2001: $1,081).

Bonds and debentures consists of the following:

	2002			2001		
	Cost	Market Value	Effective Yield	Cost	Market Value	Effective Yield
Short term (three years or less to maturity)	-	-	-	$1,782	$1,795	5.52%
Medium term (four to ten years to maturity)	18,531	18,360	5.68%	18,170	18,226	6.44%
Long term (greater than ten years to maturity)	3,807	3,748	6.01%	2,674	2,674	6.19%
	$ 22,338	$ 22,108	5.73%	$ 22,626	$ 22,695	5.75%

The Board of Governors, through its Finance Committee, monitors the performance of the investment managers as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs relating to managing the investments. An external consultant is appointed by the Committee to measure and report the investment portfolio's performance and the investment managers compliance to the Policy on a quarterly basis.

Investments are managed by an investment manager and University staff. The investment portfolio consists of a balanced fund, fixed income funds or short-term current operating funds.

The balanced fund policy mix standard is as follows:

Permissible assets	Policy Standard	Allowable Ranges
Short Term/cash	5%	0% - 40%
Bonds	35%	25% - 70%
Canadian equities	20%	10% - 40%
U.S. equities	25%	10% - 50%
Global equities	15%	0% - 30%
	100%	

Bond investments must have a rating of BBB-plus or better and the short term portfolio shall be rated at least R-1, mid (or equivalent) as per the Domonion Bond Rating Service.

Short term investments are held on average for less than three months and bonds are held on average less than three years. Bonds in the portfolio have maturity dates between one and twenty-eight years, with an average maturity date of seven and one-half years.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity interest in the Campus Alberta: Graduate Program in Counselling at March 31, 2002 is $80, which is one-third of the net of total revenues of $498 less total expenses of $256 for the period from commencement of operations on April 1, 2001 to March 31, 2002.

At March 31, 2002 the University's share of the joint venture's assets and liabilities are:

ASSETS	
Current assets	$ 209 *
Capital assets	8
	$ 217
LIABILITIES AND JOINT VENTURE INTEREST	
Current liabilities	$ 129
Deferred capital contributions	8
Joint venture interest	80
	$ 217

* included in current assets is a receivable of $159 from Athabasca University, a related party, for operating funds that are being administered on behalf of the joint venture.

Note 5 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 638	-	$ 638	$ 638
Buildings and land improvements	161,455	44,763	116,692	77,820
Construction projects	386	-	386	30,591
Furnishings and equipment	44,882	31,019	13,863	2,831
Learning resources	19,454	13,677	5,777	12,982
	$ 226,795	$ 89,459	$ 137,336	$ 124,862

Construction projects include renovation of the vacated Library space

Capital asset additions during the year included $10 in donations in kind for Learning Resources (2001 $60)

Note 6 Collection

	2002	2001
Balance, beginning of year	$ 31,543	$ 30,005
Donations	856	1,506
Acquisitions	25	32
Balance, end of year	$ 32,424	$ 31,543

The collection contains in excess of 13,000 pieces of artwork

Note 7 Change in Non-Cash Operating Working Capital

	2002	2001
Accounts receivable	$ (703)	$ (299)
Inventories	(186)	31
Prepaid expenses	14	(36)
Accounts payable	1,222	1,839
Accrued payroll liabilities	519	143
Deferred revenue	(140)	89
Deferred tuition fees	511	93
Deferred contributions	(4,730)	1,121
	$ (3,493)	$ 2,981

Note 8 Deferred Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Changes in the deferred contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 10,978	$ 9,857
Contributions received	7,899	8,732
Transfer to:		
Non-amortizable collection	(25)	-
Revenue	(6,414)	(3,712)
Deferred Capital Contributions (Note 11)	(6,190)	(3,899)
Balance, end of year	$ 6,248	$ 10,978

Balance consists of:

	2002	2001
Operating (restricted grants)	$ 234	$ 4,263
Sponsored Research	3,697	3,624
Special Purpose	512	1,098
Scholarships, Bursaries and Other	1,805	1,993
	$ 6,248	$ 10,978

Note 9 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding 2002	Amount Outstanding 2001
Bank of Montreal Mortgage for Dormitories due December 31, 2001	6.39%	$ 950	$ -	$ 165
Bank of Montreal Loan for Library and Information Network Centre, due July 1, 2026	6.82%	$ 10,000	9,910	7,100
			9,910	7,265
Less: current portion			(164)	(268)
			$ 9,746	$ 6,997

The Bank of Montreal loan for the Library and Information Network Centre is an interest rate swap agreement whereby the University pays a fixed rate of interest. Swap payments are reflected as interest expense and accounted for on an accrual basis.

According to the long-term debt agreement, principal payments during the next five years are as follows:

2003	$164
2004	175
2005	187
2006	201
2007	215

Subsequent to the year end the Board of Governors approved a motion to terminate the long-term debt agreement (see Note 23).

Note 10 Unfunded Staff Benefits

	2002	2001
Early retirement benefits	$ 2,299	$ 3,111
Senior administrative leaves	2,975	2,770
Supplementary benefit plan	354	220
Long-term disability benefits	100	108
	5,728	6,209
Less: current portion	(1,632)	(1,488)
	$ 4,096	$ 4,721

In prior years there were four early retirement benefit offerings, with payments from year 1989 to 2013. Early retirement benefits are carried at their net present value. The discount rate used for early retirement benefits is the blended realized rate of return earned on internally and externally managed investments. This rate was 5.5% in 2002. As the net present value of any remaining benefits is paid to the retiree's beneficiary in the case of death, no actuarial assumptions are required to determine the value of the debt.

Senior executive leaves are accrued based on years of service to the University as a senior administrator. These leaves are normally taken at the end of the administrative service.

The supplementary benefit plan is a defined contribution plan.

Long-term disability benefits are calculated according to the terms of the negotiated contracts held with the various employee groups.

Payments in the next five years for unfunded staff benefits are approximately as follows:

2003	$ 1,632
2004	1,297
2005	774
2006	451
2007	386

Note 11 Deferred Capital Contributions

Deferred capital contributions represent capital contributions received for special purposes. Changes in deferred capital contributions balance are as follows:

	2002	2001
Balance, beginning of year	$ 6,833	$ 12,736
Contributions received	6,797	7,943
Transfers from (to):		
Deferred Contributions (Note 8)	6,190	3,899
Unamortized Deferred Capital Contributions (Note 12)	(13,243)	(17,745)
Balance, end of year	$ 6,577	$ 6,833

Restricted capital includes grants received for infrastructure renewal and the vacated library renovation and donations toward an art gallery.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	2002	2001
Balance, beginning of year	$ 85,189	$ 72,008
Transfer from Deferred Capital Contributions (Note 11)	13,243	17,745
Amortization of deferred capital contributions	(5,086)	(4,564)
Balance, end of year	$ 93,346	$ 85,189

Note 13 Endowments

	2002			2001		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	$ 7,941	$ 982	$ 8,923	$ 7,668	$ 882	$ 8,550
Capitalized investment earnings	1,301	-	1,301	1,035	-	1,035
	$ 9,242	$ 982	$ 10,224	$ 8,703	$ 882	$ 9,585

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity, and internal allocations by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Note 14 **Internally Restricted Net Assets**

Internally restricted net assets represent amounts set aside by the Board of Governors for the following purposes

	2002	2001
OPERATING		
Staff benefits	$ 362	$ 362
Academic development	218	232
Campus planning studies	73	209
International affairs	8	73
Utilities	420	200
Enrollment management	15	15
Program development	472	347
	1,568	1,438
CAPITAL		
Capital replacement - Ancillary Services	4,269	3,718
Housing Services - residences	1,632	1,603
Capital equipment	1,844	1,888
Buildings and plant	105	727
Site and utilities	183	179
Utility conservation	110	276
Self insurance	133	149
Parking services	75	243
Service vehicles and equipment	34	44
	8,385	8,825
	$ 9,953	$ 10,263

Note 15 **Investment Income**

	2002	2001
Total investment earnings for the year	$ 3,210	$ 4,133
Transfers to		
Endowments	(267)	(312)
Investment management fees	(181)	(187)
Deferred contributions	(15)	(60)
	$ 2,747	$ 3,574

Note 16 Salaries and Employee Benefits

	Average (salary and benefits) 2002	2001	2002 FTE	2002 Salary	2002 Benefits	2002 Total	2001 FTE	2001 Total
Board of Governors								
Chairperson of the Board			1 $	- $	- $	-	1 $	-
Board Members			18	-	-	-	16	-
			19	-	-	-	17	-
Executives								
President			1	214	24	238	1	227
Vice-President (Academic)			1	186	29	215	1	196
Vice-President (Finance & Administration)			1	135	19	154	1	138
Dean of Management			1	186	23	209	1	191
Dean of Graduate Studies			1	137	18	155	1	142
			5	858	113	971	5	894
Academic staff								
Continuing positions	$ 78	$ 73	266	17 282	3 599	20 881	241	17 462
Other			240	9 899	1 585	11 484	203	11 205
			506	27 181	5 184	32 365	444	28 667
Administrative / professional staff								
Directors - Continuing	$ 110	$ 102	10	935	121	1 056	11	1 078
APO - Continuing	$ 62	$ 62	79	4 241	664	4 905	67	4 164
Other			16	644	101	745	21	1 301
			105	5 820	886	6 706	99	6 541
Support staff								
Continuing Positions	$ 48	$ 46	300	12 663	1 819	14 482	283	13 046
Other			37	796	77	873	37	1 118
			337	13 459	1 896	15 355	320	14 164
Accrual of senior administrative leaves								
President					47	47		30
Vice-President (Academic)					78	78		108
Vice-President (Finance & Administration)					45	45		15
Dean of Management					55	55		52
Dean of Graduate Studies					57	57		58
					280.00	280.00		263
TOTAL			972 $	47 318 $	8 359 $	55 677	885 $	50 529

SALARY

Includes regular base pay, overtime payments, position allowance payments, sabbaticals and any other direct remuneration.

BENEFITS

Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans and workers compensation, supplementary benefit plan contributions, professional development allowances and salaries paid out for senior administrative leaves.

ACADEMIC STAFF - OTHER

Includes hourly, term and retired faculty, sessional/casual instructors and graduate teaching assistants.

ADMINISTRATIVE / PROFESSIONAL STAFF

APO = Administrative Professional Officers

OTHER includes term, casual salaried, retired and hourly administrative/professional staff

SUPPORT STAFF - OTHER

Includes hourly, project, retired and casual salaried staff

ACCRUAL OF SENIOR ADMINISTRATIVE LEAVES

Leaves have been accrued for senior administrators during the years in which the leaves are earned and normally will be paid out at the end of the administrative service.

FTE Full Time Equivalent (except for Board of Governors which indicates the number of individuals)

Note 17 Pension Costs

The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of $2 544 for the year ended March 31, 2002 (2001 - $2 270).

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings. At December 31, 2001 the Universities Academic Pension Plan reported a deficit of $151,966 (2000 - $109,495) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084).

Note 18 Budget

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for his approval. The 2001/02 budget was approved by the Board on April 26, 2001.

Unrestricted Funds Budget

	2002								2001	
	General Operating		Ancillary Services		Access & Other		Total			
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE										
Grants	$ 36.498	$ 40.573	$ -	$ 15	$ 1,376	$ 4.805	$ 37.874	$ 45.393	$ 33.210	$ 37.681
Tuition and related fees	19.300	21.626	-	842	626	1.730	19.926	24.198	19.461	23.037
Sales of services and products	1.673	1.704	7.289	7.653	1	37	8.963	9.394	7.734	8.024
Miscellaneous	279	1.850	105	35	196	152	580	2.037	598	1,862
Investment income	1.355	2.322	134	124	50	52	1.539	2.498	1.525	2.924
Gifts and donations	-	36	-	145	-	77	-	258	-	134
Amortization of deferred capital contributions	6.628	5.086	-	-	-	-	6.628	5.086	6.628	4.564
	$65.733	73.197	7.528	8.814	2.249	6.853	75.510	88.864	69.156	78.226
EXPENSE										
Salaries and benefits	44.439	47.012	2.257	3.091	1.377	2.930	48.073	53.033	44.359	48.526
Scholarships, fellowships and bursaries	592	915	-	-	51	244	643	1.159	541	815
Supplies and services	3.714	3.680	616	1.450	271	557	4.601	5.687	4.163	3.985
Cost of goods sold	195	167	2.479	2.741	-	-	2.674	2.908	2.438	2.584
Travel	750	1.327	254	368	28	265	1.032	1.960	954	1,781
Utilities	1.699	2.092	353	324	-	56	2.052	2.472	1.864	2.117
External contracted services	967	1.012	627	429	-	58	1.594	1.499	1.449	1.435
Repairs and maintenance	-	873	-	52	-	2	-	927	-	492
Professional fees	299	458	-	69	-	19	299	546	273	347
Interest on long term liabilities	250	206	4	3	-	15	254	224	268	421
Insurance	105	148	332	13	-	3	437	164	390	150
Property taxes	1	11	149	134	-	8	150	153	170	141
Loss on disposal of capital assets	-	59	-	2	-	-	-	61	-	15
Amortization of capital assets	8.829	9.359	124	167	120	-	9.073	9.526	7.999	8.483
Provisions	3.752	-	52	-	166	-	3.970	-	3.804	-
	65.592	67.319	7.247	8.843	2.013	4.157	74.852	80.319	68.672	71.272
EXCESS OF REVENUE OVER EXPENSE (EXPENSE OVER REVENUE)	$ 141	$ 5.878	$ 281	$ (29)	$ 236	$ 2.696	$ 658	$ 8.545	$ 484	$ 6.954

The supplies and services budget includes general department contingencies which are subject to reallocation by departments throughout the year. These contingency budgets are used primarily for capital purchases. Actual expenses are recorded in the appropriate expense categories.

Restricted Funds Budget

	2002		2001	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$ 3.137	$ 6.284	$ 2.624	$ 2.738
Tuition and related fees	-	-	626	-
Sales of services and products	-	-	-	-
Miscellaneous	784	160	881	202
Investment income	832	249	856	650
Gifts and donations	644	246	1.357	803
Amortization of deferred capital contributions	-	-	-	-
	5.397	6.939	6.344	4.393
EXPENSE				
Salaries and benefits	2.494	2.644	2.856	2.003
Scholarships, fellowships and bursaries	752	991	890	621
Supplies and services	911	873	1.137	749
Cost of goods sold	-	-	-	-
Travel	742	546	626	441
Utilities	3	-	3	-
External contracted services	457	204	509	356
Repairs and maintenance	-	1.071		16
Professional fees	37	92	37	202
Interest on long term liabilities	-	500	-	-
Insurance	1	16	1	5
Property taxes	-	2	-	-
Loss on disposal of capital assets	-	-	-	-
Amortization of capital assets	-	-	120	-
Provisions	-	-	165	-
	5.397	6.939	6.344	4.393
EXCESS OF REVENUE OVER EXPENSE	$ -	$ -	$ -	$ -

Total Unrestricted and Restricted Funds Budgets

2002		2001	
Original Budget	Total Actual	Original Budget	Total Actual
$ 41.011	$ 51.677	$ 35.834	$ 40.419
19.926	24.198	20.087	23.037
8.963	9.394	7.734	8.024
1.364	2.197	1.479	2.064
2.371	2.747	2.381	3.574
644	504	1.357	937
6.628	5.086	6.628	4.564
80.907	95.803	75.500	82.819
50.567	55.677	47.215	50.529
1.395	2.150	1.431	1.436
5.512	6.560	5.300	4.734
2.674	2.908	2.438	2.584
1,774	2.506	1.580	2.202
2.055	2.472	1,867	2.117
2.051	1.703	1.958	1,791
-	1.998	-	508
336	638	310	549
254	724	268	421
438	180	391	155
150	155	170	141
-	61	-	15
9.073	9.526	8.119	8.483
3.970	-	3.969	-
80.249	87.258	75.016	75.665
$ 658	$ 8.545	$ 484	$ 6.954

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other. The revenue is provided to the University by third parties who place specific spending requirements on the funding. There is no excess of revenue over expense on these funds as any unused funds at the end of the fiscal period are transferred to Deferred Contributions and/or Deferred Capital Contributions. These deferred amounts can only be accessed in subsequent years by meeting the restrictions of the funding.

Note 19 Related Party Transactions

a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2002.

b) Province of Alberta

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the University and the Province are disclosed as follows:

	Unrestricted	Restricted
Operating grants	$ 37,454	$ -
Access Fund	4,805	1,400
Faculty and Staff Retention	1,525	
Progress Award	405	-
Unfunded Enrolment Growth	272	-
One-Time Energy Rebate	153	-
Campus Alberta Graduate Program	117	-
Infrastructure Renewal Envelope		4,227
Strategic Research Initiative		950
Research Excellence Envelope		210
Research Investment Program		112
Curriculum Redevelopment		105
International Education		4
Total Contributions Received	44,731	7,008
Less: Deferred Contributions	(100)	(282)
Deferred Capital Contributions		(3,396)
Transferred to Statement of Operations	$ 44,631	$ 3,330

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The total contributions received for unrestricted grants includes $748 in accounts receivable.

In 2002 and 2001 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

During 2002, the University entered into an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 Pledges Receivable

As of March 31, 2002 the estimated realizable value of pledges receivable is $378 in support of the Library and Information Network Centre. The pledges are expected to be received over the next two years and have not been recorded in the financial statements.

Note 21 Contingencies and Commitments

The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.

In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract effective January 1, 2001 to fix its electrical cost at an average cost of $0.112 per KWh. The total cost for the year ending March 31, 2003 is expected to be $1,900.

At March 31, 2002 a major construction project was in progress to renovate the former University Hall Library to be used for classrooms, labs and offices. Funding for the project includes $4,700 in capital grants and $107 from internal sources. The cost to complete this project as of March 31 was $3,908.

Note 22 Adjustment to Prior Period

a) An adjustment was made to the 2001 financial statements for investment earnings that are capitalized to endowments. These are now shown as direct increases to Endowments and are not included in investment income.

b) The University identified a number of restricted funds in which previous accounting treatment had resulted in a misallocation between deferred contributions, deferred capital contributions and unrestricted net assets in prior periods. These balances and certain expense transactions that occurred in 2001 were reallocated to unrestricted funds or between restricted funds during the current fiscal year. In addition, certain funds were determined to be held by external parties and were excluded from the financial statements.

As a result of these changes, the University's financial statements for the year ended March 31, 2001 have been restated as follows:

	2001			
	As Previously Reported	Capitalized Endowment Earnings Increase (Decrease)	Reallocation of Restricted Items Increase (Decrease)	As Restated
Statement of Operations				
Excess of revenue over expense	7,298	(312)	(32)	6,954
Statement of Financial Position				
Cash and cash equivalents	10,190	-	(118)	10,072
Accounts receivable	3,913	-	(6)	3,907
Accounts payable	3,788	-	(2)	3,786
Accrued payroll liabilities	2,504	-	(5)	2,499
Deferred contributions	10,431	-	547	10,978
Deferred capital contributions	7,975	-	(1,142)	6,833
Unrestricted net assets	8,951	-	478	9,429
Statement of Changes in Net Assets				
Net assets at beginning of year	83,794	-	510	84,304
Net assets at end of year	92,750	-	478	93,228

Note 23 Subsequent Event

On May 9, 2002, in order to reduce interest costs, the Board of Governors approved a motion to self-finance the long-term debt on the Library and Information Network Centre. The interest rate swap agreement with the Bank of Montreal will be terminated on approximately June 30, 2002, at which time the remaining principal will be $9,856. The termination of the swap agreement will result in a penalty of approximately $600 to be paid by the University. The debt and penalty will be paid from the University's internal resources as follows:

Internally Restricted Net Assets		
Operating	$	878
Capital		4,712
Unrestricted Net Assets		4,866
	$	10,456

The University will draw on its cash and unrestricted investment balances to self-finance the debt. The University anticipates that it will replenish a total of $7,511 to its depleted net asset balances over a nine-year period through allocations from the yearly operating budget.

Note 24 Comparative Figures

Certain 2001 figures have been reclassified to conform to 2002 financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Financial Statements

For the year ended September 30, 2001

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Operations and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

ANDERSEN

AUDITORS' REPORT

To the Board of Governors of
The Banff Centre for Continuing Education:

We have audited the balance sheet of **THE BANFF CENTRE FOR CONTINUING EDUCATION** (the "Centre") as at September 30, 2001 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Banff Centre for Continuing Education as at September 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by
Arthur Anderson LLP
Chartered Accountants

Calgary, Alberta
November 30, 2001

THE BANFF CENTRE FOR CONTINUING EDUCATION
BALANCE SHEET
AS AT SEPTEMBER 30, 2001
(in thousands of dollars)

	As at September 30, 2001	As at September 30, 2000
ASSETS		
Current assets:		
Cash and short-term investments	$ 1,140	$ 296
Accounts receivable (Note 3)	2,579	5,009
Inventories	363	353
Prepaid expenses	253	519
	4,335	6,177
Long-term pledges receivable (Note 4)	13	330
Note receivable (Note 5)	473	-
Long-term investments (Note 6)		
Endowments	6,184	5,842
Other	70	29
Capital assets (Note 7)	47,352	48,494
	$ 58,427	$ 60,872
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,765	$ 3,140
Accrued vacation pay	812	564
Unearned revenue (Note 8)	690	479
Deferred contributions (Note 9)	1,017	1,775
Long-term debt due within one year (Note 10)	275	275
	4,559	6,233
Deferred contributions (Note 9)	2,708	1,276
Long-term debt (Note 10)	3,942	4,217
Deferred expended capital contributions (Note 11)	33,853	35,127
	45,062	46,853
NET ASSETS		
Operating net assets (Note 12)	7,181	8,177
Endowments (Notes 6 & 13)	6,184	5,842
	13,365	14,019
	$ 58,427	$ 60,872

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(in thousands of dollars)

	Year Ended September 30, 2001	Year Ended September 30, 2000
Revenue		
Accommodation	$ 12,415	$ 13,015
Grants (Note 15)	11,835	11,082
Sales, rentals and services	6,307	5,158
Tuition and related fees	5,240	5,452
Donations and other contributions	1,723	1,816
Investment income	498	596
Amortization of deferred expended capital contributions (Note 11)	1,907	1,783
	39,925	38,902
Expenses		
Salaries, wages and benefits (Note 16)	20,328	19,013
Purchased services	3,271	3,656
Travel and related	1,876	1,602
Scholarships and financial assistance	2,850	2,728
Facility operating	2,957	2,622
Supplies and materials	4,028	3,247
Vehicles and equipment	1,230	1,328
Marketing and promotion	921	884
Financial costs	760	802
Amortization of capital assets	2,510	2,379
Loss on disposal of capital assets	41	-
	40,772	38,261
Net income (loss)	(847)	641
Net assets at beginning of year	14,019	12,994
Endowment contributions (Note 13)	193	384
Net assets at end of year	$ 13,365	$ 14,019

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(in thousands of dollars)

	Year Ended September 30, 2001	Year Ended September 30, 2000
Cash flows from operating activities		
Net income (loss)	$ (847)	$ 641
Non-cash transactions:		
Amortization of deferred expended capital contributions	(1,907)	(1,783)
Amortization and loss on disposal of capital assets	2,551	2,379
Changes in non-cash working capital (Note 14)	1,543	(412)
Changes in pledges receivable (Note 4)	544	421
Changes in deferred contributions related to operations (Note 9)	(893)	(191)
Net cash from operating activities	991	1,055
Cash flows used in investing activities		
Acquisition of capital assets (Notes 11 & 12)	(1,409)	(1,790)
Acquisition of long-term note receivable	(473)	-
Liquidation of long-term investments	-	850
Acquisition of long-term investments	(383)	(558)
Net cash used in investing activities	(2,265)	(1,498)
Cash flows from financing activities		
Capital contributions received	2,200	1,159
Principal repayments of long-term debt	(275)	(1,264)
Endowment contributions received	193	384
Net cash from financing activities	2,118	279
Increase (decrease) in cash	844	(164)
Cash and short-term investments at beginning of year	296	460
Cash and short-term investments at end of year	$ 1,140	$ 296

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2001
(tabular amounts in thousands of dollars)

Note 1 Authority and purpose

The Banff Centre for Continuing Education operates under the authority of the Banff Centre Act, Chapter B-1, Revised Statutes of Alberta 1980, as amended. The Centre is a registered charity and is exempt, under Section 149 of the Income Tax Act, from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, executive and management development, and the exploration of issues related to mountain culture and environment through its Centres for the Arts, Management, Mountain Culture and Conferences.

Note 2 Significant accounting policies and reporting practices

(a) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the assets' lives.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Employee Future Benefits

The Centre's pension plans are multiemployer plans and are accounted for using the defined contribution method. Under this method contributions made during the period are charged as pension expense to current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts receivable

	September 30, 2001	September 30, 2000
Trade accounts receivable	$ 1,075	$ 2,346
Other amounts due	201	1,119
Deferred scholarships	529	521
	1,805	3,986
Current portion of pledges receivable (Note 4)	286	513
Endowment earnings receivable (Note 6)	488	510
	$ 2,579	$ 5,009

Note 4 Long-term pledges receivable

	September 30, 2001	September 30, 2000
Creative Edge capital pledges	$ 9	$ 69
Other non-capital pledges	290	774
	299	843
Less: Current portion of pledges receivable (Note 3)	286	513
	$ 13	$ 330

Note 5 Note receivable

During 2001, the Centre advanced $473,000 to Rocky Mountain Housing Cooperative. The amount is repayable in 2019, bears interest at prime minus 3%, and is unsecured. As part of this transaction the Centre agreed to lease 12 accommodation units until 2019. This lease commitment of $3,591,000 is included in the schedule of lease commitments in Note 17.

Note 6 Long-term investments

(a) Endowments

	September 30, 2001		September 30, 2000	
	Cost	Market Value	Cost	Market Value
Cash	$ 752	$ 752	$ 443	$ 443
Government debt	1,854	1,886	2,245	2,255
Corporate debt	768	780	1,029	1,034
Equities	3,298	2,784	2,635	3,402
	6,672	$ 6,202	6,352	$ 7,134
Less: Endowment earnings receivable (Note 3 and Note 13)	488		510	
	$ 6,184		$ 5,842	

Market value is less than cost. It is the opinion of management that the change in value is temporary due to the nature of the investment portfolio, and accordingly no impairment has been recognized.

(b) Other

Included in other investments is $57,000 (2000 - $29,000) due from the Banff School of Advanced Management ("BSAM"). The amount is unsecured and non-interest bearing. The Chief Executive Officer of the Centre is a director of BSAM.

Note 7 Capital assets

	September 30, 2001			September 30, 2000		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,491	$ 1,830	$ 661	$ 2,477	$ 1,741	$ 736
Buildings and improvements	67,319	24,957	42,362	66,266	23,648	42,618
Furnishings and equipment	19,356	16,140	3,216	19,586	15,538	4,048
Artwork collection	1,113	-	1,113	1,092	-	1,092
	$ 90,279	$ 42,927	$ 47,352	$ 89,421	$ 40,927	$ 48,494

Land is leased from the Government of Canada. The current lease has a term of 41 years, expires March 31, 2022, and is renewable.

Note 8 Unearned revenue

	September 30, 2001	September 30, 2000
Accommodation deposits	$ 11	$ 70
Other sales and services	679	409
	$ 690	$ 479

Note 9 Deferred contributions

	September 30, 2001	September 30, 2000
Deferred contributions at beginning of year	$ 3,051	$ 3,447
Contributions received:		
Capital	2,200	1,159
Operating	12,526	12,607
Endowment income earned (Note 13)	637	655
Other financial income	-	41
Transferred to operations		
Grants (Note 15)	(11,835)	(11,082)
Donations and other contributions	(1,723)	(1,816)
Financial income	(498)	(596)
Transferred to deferred expended capital contributions (Note 11)	(633)	(1,364)
Deferred contributions at end of year	$ 3,725	$ 3,051
Deferred contributions are comprised of:		
Capital	$ 2,402	$ 835
Non-capital	1,323	2,216
	3,725	3,051
Less: Current portion of non-capital deferred contributions	1,017	1,775
	$ 2,708	$ 1,276

Note 10 Long-term debt

	Renewal Date	Interest Rate	September 30, 2001	September 30, 2000
Term Loan - Professional Development Centre	January 1, 2007	Prime - 1/4%	$ 4,217	$ 4,492
Less: Principal payments due within one year			275	275
			$ 3,942	$ 4,217

The interest expense on long-term debt for the year ended September 30, 2001 was $294,000 (2000 - $317,000). Interest expense approximates interest paid for each of the years ended September 30, 2001 and 2000.

The long-term debt is structured with fixed rate principal repayment of $275,000 per annum until the renewal date in 2007.

Note 11 Deferred expended capital contributions

	September 30, 2001	September 30, 2000
Deferred expended capital contributions at beginning of year	$ 35,127	$ 35,546
Transferred from deferred contributions to acquire capital assets (Note 9)	633	1,364
Transferred to revenue	(1,907)	(1,783)
Deferred expended capital contributions at end of year	$ 33,853	$ 35,127

Note 12 Operating Net Assets

	Unrestricted	Investment in Capital Assets	September 30, 2001	September 30, 2000
Operating net assets at beginning of year	$ (698)	$ 8,875	$ 8,177	$ 7,681
Net income (loss)	(847)	-	(847)	641
Internally funded:				
Capital acquisitions	(776)	776	-	-
Amortization and loss on disposal of capital assets	644	(644)	-	-
Repayment of long-term debt	(275)	275	-	-
Endowment capitalized investment income (Note 13)	(149)	-	(149)	(145)
Operating net assets at end of year	$ (2,101)	$ 9,282	$ 7,181	$ 8,177

Note 13 Endowments

	September 30, 2001	September 30, 2000
Endowment book value at end of year before transfers for scholarships, awards and other support	$ 6,672	$ 6,352
Less endowment book value at beginning of year	(5,842)	(5,313)
Net change in book value	830	1,039
Less contributions	(193)	(384)
Gross earnings	637	655
Income capitalized	(149)	(145)
Endowment earnings receivable (Note 6)	$ 488	$ 510
Transferred for:		
Scholarships	$ 286	$ 290
Awards	17	19
Other support	185	201
	$ 488	$ 510
Endowment book value at end of year after transfers for scholarships, awards and other support (Note 6)	$ 6,184	$ 5,842

Note 14 Changes in non-cash working capital

	September 30, 2001	September 30, 2000
Accounts receivable (excluding pledges)	$ 2,203	$ (1,081)
Inventories	(10)	50
Prepaid expenses	266	(228)
Accounts payable	(1,375)	1,001
Accrued vacation pay	248	(10)
Unearned revenue	211	(144)
	$ 1,543	$ (412)

Note 15 Grants

	September 30, 2001	September 30, 2000
Base Operating Grant: Province of Alberta / Learning	$ 9,751	$ 9,372
Other grants:		
Province of Alberta	481	232
Government of Canada / National Arts Training Contribution	1,000	1,000
Other Government of Canada	603	478
	2,084	1,710
	$ 11,835	$ 11,082

Note 16 Salaries, wages and benefits

	September 30, 2001	September 30, 2000
Pension contributions included in salaries, wages and benefits	$ 664	$ 641

In 2001, the Centre changed its method of estimating the accrued vacation liability. In the opinion of management, the method now used results in a more accurate estimate of the accrued vacation liability. Included in salaries, wages and benefits expense in 2001 is approximately $160,000 pertaining to periods before 2001 that arises as a result of this change in methodology.

Note 17 Lease Commitments

The Centre has committed to lease certain assets. Minimum future lease payments (see Note 18) are:

2002	$ 429
2003	736
2004	502
2005	251
2006	199
2007 and thereafter until 2019, in aggregate	2,718
	$ 4,835

Note 18 Change of year-end in future periods

The Centre has applied for permission to change its year-end to March 31 with effect from March 31, 2002. The minimum lease payments (see Note 17) are for the six month period ending March 31, 2002 and for the years ending March 31 in 2003 and subsequent years.

Deloitte & Touche

Financial Statements of

THE BANFF CENTRE FOR CONTINUING EDUCATION

March 31, 2002

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Deloitte
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Auditors' Report

To the Board of Governors of
The Banff Centre for Continuing Education:

We have audited the balance sheet of **The Banff Centre for Continuing Education (the "Centre")** as at March 31, 2002 and the statements of operations and changes in net assets and cash flows for the six-month period then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the six-month period then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended September 30, 2001 were audited by other auditors whose report was issued without reservation on November 30, 2001.

Original signed by
Deloitte & Touche LLP
Chartered Accountants

Calgary, Alberta
June 3, 2002

Deloitte
Touche
Tohmatsu

THE BANFF CENTRE FOR CONTINUING EDUCATION
BALANCE SHEET
AS AT MARCH 31, 2002
(in thousands of dollars)

	As at March 31, 2002	As at September 30, 2001
ASSETS		
Current assets:		
Cash and short-term investments	$ 736	$ 1,140
Accounts receivable (Note 3)	2,394	2,579
Inventories	357	363
Prepaid expenses	220	253
	3,707	4,335
Long-term pledges receivable (Note 4)	57	13
Note receivable (Note 5)	473	473
Long-term investments (Note 6)		
Endowments	6,379	6,184
Other	70	70
Capital assets (Note 7)	47,078	47,352
	$ 57,764	$ 58,427
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,807	$ 1,765
Accrued vacation pay	956	812
Unearned revenue (Note 8)	380	690
Deferred contributions (Note 9)	1,196	1,017
Long-term debt due within one year (Note 10)	410	275
	4,749	4,559
Deferred contributions (Note 9)	2,751	2,708
Long-term debt (Note 10)	3,969	3,942
Deferred expended capital contributions (Note 11)	33,015	33,853
	44,484	45,062
NET ASSETS		
Operating net assets (Note 12)	6,901	7,181
Endowments (Notes 6 & 13)	6,379	6,184
	13,280	13,365
	$ 57,764	$ 58,427

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED MARCH 31, 2002

(in thousands of dollars)

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Revenue		
Accommodation	$ 4,831	$ 12,415
Grants (Note 15)	5,872	11,835
Sales, rentals and services	2,760	6,307
Tuition and related fees	2,794	5,240
Donations and other contributions	1,261	1,723
Investment income	81	498
Amortization of deferred expended capital contributions (Note 11)	841	1,907
	18,440	39,925
Expenses		
Salaries, wages and benefits (Note 16)	9,740	20,328
Purchased services	1,571	3,271
Travel and related	655	1,876
Scholarships and financial assistance	1,001	2,850
Facility operating	1,437	2,957
Supplies and materials	1,540	4,028
Vehicles and equipment	613	1,230
Marketing and promotion	273	921
Financial costs	712	760
Amortization of capital assets	1,122	2,510
Loss on disposal of capital assets	13	41
	18,677	40,772
Net income (loss)	(237)	(847)
Net assets at beginning of period	13,365	14,019
Endowment contributions (Note 13)	152	193
Net assets at end of period	$ 13,280	$ 13,365

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2002
(in thousands of dollars)

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Cash flows from (used in) operating activities		
Net income (loss)	$ (237)	$ (847)
Non-cash transactions:		
Amortization of deferred expended capital contributions	(841)	(1,907)
Amortization and loss on disposal of capital assets	1,135	2,551
Changes in non-cash working capital (Note 14)	144	1,543
Changes in pledges receivable (Note 4)	(88)	544
Changes in deferred contributions related to operations (Note 9)	203	(893)
Net cash from (used in) operating activities	316	991
Cash flows from (used in) investing activities		
Acquisition of capital assets (Notes 11 & 12)	(476)	(1,409)
Acquisition of long-term note receivable	-	(473)
Acquisition of long-term investments	(195)	(383)
Net cash from (used in) investing activities	(671)	(2,265)
Cash flows from (used in) financing activities		
Capital contributions received	22	2,200
Principal repayments of long-term debt	(223)	(275)
Endowment contributions received	152	193
Net cash from (used in) financing activities	(49)	2,118
Increase (decrease) in cash	(404)	844
Cash and short-term investments at beginning of period	1,140	296
Cash and short-term investments at end of period	$ 736	$ 1,140

The accompanying notes are part of these financial statements.

Note 1 Authority and purpose

The Banff Centre for Continuing Education (the "Centre") operates under the authority of the Banff Centre Act, Chapter B-1, Revised Statutes of Alberta 1980, as amended. The Centre is a registered charity and is exempt, under Section 149 of the Income Tax Act, from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

The Banff Centre Act specifies that the fiscal year shall be determined by the Minister of Alberta Learning. The Minister of Alberta Learning has approved the change of the Centre's fiscal year end to March 31.

Note 2 Significant accounting policies and reporting practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) Revenue Recognition

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the assets' lives. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Employee Future Benefits

The Centre's pension plans are multiemployer plans and are accounted for using the defined contribution method. Under this method contributions made during the period are charged as pension expense to current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts receivable

	March 31, 2002	September 30, 2001
Trade accounts receivable	$ 1,090	$ 1,075
Other amounts due	116	201
Deferred scholarships	858	529
	2,064	1,805
Current portion of pledges receivable (Note 4)	330	286
Endowment earnings receivable (Note 6)	-	488
	$ 2,394	$ 2,579

Note 4 Long-term pledges receivable

	March 31, 2002	September 30, 2001
Creative Edge capital pledges	$ 7	$ 9
Other non-capital pledges	380	290
	387	299
Less: Current portion of pledges receivable (Note 3)	330	286
	$ 57	$ 13

Note 5 Note receivable

During 2001, the Centre advanced $473,000 to Rocky Mountain Housing Cooperative. The amount is repayable in 2019, bears interest at prime minus 3%, and is unsecured. As part of this transaction the Centre agreed to lease 12 accommodation units until 2019. This lease commitment of $3,509,000 is included in the schedule of lease commitments in Note 10.

Note 6 Long-term investments

(a) Endowments

	March 31, 2002		September 30, 2001	
	Cost	Market Value	Cost	Market Value
Cash	$ 140	$ 140	$ 752	$ 752
Government debt	1,582	1,545	1,854	1,886
Corporate debt	811	803	768	780
Equities	3,846	3,728	3,298	2,784
	6,379	$ 6,216	6,672	$ 6,202
Less: Endowment earnings receivable (Note 3 and Note 13)	-		488	
	$ 6,379		$ 6,184	

Market value is less than cost. It is the opinion of management that the change in value is temporary due to the nature of the investment portfolio, and accordingly no impairment has been recognized.

(b) Other

Included in other investments is $57,000 (2001 - $57,000) due from the Banff School of Advanced Management ("BSAM"). The amount is unsecured and non-interest bearing. The Chief Executive Officer of the Centre is a director of BSAM.

Note 7 Capital assets

	March 31, 2002			September 30, 2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,562	$ 1,872	$ 690	$ 2,491	$ 1,830	$ 661
Buildings and improvements	67,584	25,624	41,960	67,319	24,957	42,362
Furnishings and equipment	19,236	16,396	2,840	19,356	16,140	3,216
Equipment under capital lease	475	-	475	-	-	-
Artwork collection	1,113	-	1,113	1,113	-	1,113
	$ 90,970	$ 43,892	$ 47,078	$ 90,279	$ 42,927	$ 47,352

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 8 Unearned revenue

	March 31, 2002	September 30, 2001
Accommodation deposits	$ 7	$ 11
Other sales and services	373	679
	$ 380	$ 690

Note 9 Deferred contributions

	March 31, 2002	September 30, 2001
Deferred contributions at beginning of period	$ 3,725	$ 3,051
Contributions received:		
Capital	22	2,200
Operating	7,374	12,526
Endowment income earned (Note 13)	43	637
Transferred to operations		
Grants (Note 15)	(5,872)	(11,835)
Donations and other contributions	(1,261)	(1,723)
Financial income	(81)	(498)
Transferred to deferred expended capital contributions (Note 11)	(3)	(633)
Deferred contributions at end of period	$ 3,947	$ 3,725
Deferred contributions are comprised of:		
Capital	$ 2,421	$ 2,402
Non-capital	1,526	1,323
	3,947	3,725
Less: Current portion of non-capital deferred contributions	1,196	1,017
	$ 2,751	$ 2,708

Note 10 Long-term debt and lease commitments

	March 31, 2002	September 30, 2001
Term Loan - Professional Development Centre	$ 4,052	$ 4,217
Capital Leases	327	-
	$ 4,379	$ 4,217
Less: Principal payments due within one year	410	275
	$ 3,969	$ 3,942

Future minimum repayments are as follows:

Year Ending March 31	Professional Development Centre	Capital Leases Payment	Capital Leases Interest	Operating Leases	Total Principal Obligation
2003	$ 275	$ 155	$ (20)	$ 663	$ 1,073
2004	275	154	(8)	430	851
2005	275	46	-	298	619
2006	275	-	-	199	474
2007 to 2019	2,952	-	-	2,723	5,675
	$ 4,052	$ 355	$ (28)	$ 4,313	$ 8,692

The term loan is unsecured and is structured with fixed rate principal repayment of $275,000 per annum until the renewal date on January 1, 2007 at an interest rate of prime - 1/4%.

The interest expense on long-term debt for the six month period ended March 31, 2002 was $118,400 (2001 - $294,000). Interest expense approximates interest paid for each of the six month period ended March 31, 2002 and the year ended September 30, 2001.

The capital leases are for a computer network (maturity date of June 18, 2004 at an interest rate of 8.01%) and an AS/400 server (maturity date of February 8, 2005 at an interest rate of 5.48%).

Note 11 Deferred expended capital contributions

	March 31, 2002	September 30, 2001
Deferred expended capital contributions at beginning of period	$ 33,853	$ 35,127
Transferred from deferred contributions to acquire capital assets (Note 9)	3	633
Transferred to revenue	(841)	(1,907)
Deferred expended capital contributions at end of period	$ 33,015	$ 33,853

Note 12 Operating Net Assets

	Unrestricted	Investment in Capital Assets	March 31, 2002	September 30, 2001
Operating net assets at beginning of period	$ (2,101)	$ 9,282	$ 7,181	$ 8,177
Net income (loss)	(237)	-	(237)	(847)
Internally funded:				
Capital acquisitions	(473)	473	-	-
Amortization and loss on disposal of capital assets	294	(294)	-	-
Repayment of long-term debt	(223)	223	-	-
Endowment capitalized investment income (Note 13)	(43)	-	(43)	(149)
Operating net assets at end of period	$ (2,783)	$ 9,684	$ 6,901	$ 7,181

Note 13 Endowments

	March 31, 2002	September 30, 2001
Endowment book value at end of period before transfers for scholarships, awards and other support	$ 6,379	$ 6,672
Less endowment book value at beginning of period	(6,184)	(5,842)
Net change in book value	195	830
Less contributions	(152)	(193)
Gross earnings	43	637
Income capitalized	(43)	(149)
Endowment earnings receivable (Note 6)	$ -	$ 488
Transferred for:		
Scholarships	$ -	$ 286
Awards	-	17
Other support	-	185
	$ -	$ 488
Endowment book value at end of period after transfers for scholarships, awards and other support (Note 6)	$ 6,379	$ 6,184

Note 14 Changes in non-cash working capital

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Accounts receivable (excluding pledges)	$ 229	$ 2,203
Inventories	6	(10)
Prepaid expenses	33	266
Accounts payable	42	(1,375)
Accrued vacation pay	144	248
Unearned revenue	(310)	211
	$ 144	$ 1,543

Note 15 Grants

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Base Operating Grant: Province of Alberta / Learning	$ 5,132	$ 9,751
Other grants:		
Province of Alberta	190	481
Government of Canada / National Arts Training Contribution	370	1,000
Other Government of Canada	180	603
	740	2,084
	$ 5,872	$ 11,835

Note 16 Salaries, wages and benefits

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Pension contributions included in salaries, wages and benefits	$ 348	$ 664